Agenda Item (VIII-D-2)

Meeting	12/11/2012 - Regular
Agenda Item	Committee - Resources (VIII-D-2)
Subject	2011-2012 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 reports for the year ended June 30, 2012 for the permanent file of the District.

Background Narrative:

In accordance with Education Code Section 84040(b), an independent audit of the District's 2011-2012 financial statements was performed by Vavrinek, Trine, Day & Co., LLP Certified Public Accountants (VTD). A copy of the report is attached. A representative of the firm will be available to present the report at the December 4, 2012, Committee meeting. Results of the audit are summarized below.

Auditor's Opinion

The auditor has issued an unqualified opinion for the financial audit; an excerpt of which follows:

Financial Audit – "In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Riverside Community College District and its discretely presented component unit as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America."

Current Year Audit Findings

There are two current year audit findings as summarized on page 84 and in detail on pages 86 through 88 of the accompanying audit report. In all other respects, the District was found compliant with Federal and State requirements.

Prior Year Audit Findings

The recommendations regarding prior year audit findings were implemented, albeit with one exception. These matters are discussed on pages 89 through 97.

Auditor's Required Communication – Audit Completion

In accordance with Statement on Auditing Standards No. 114, at the conclusion of the audit engagement the audit firm, VTD, is required to communicate information to the Board of Trustees regarding its responsibilities under United States Generally Accepted Auditing Standards and OMB Circular A-133, concerning significant accounting policies, accounting estimates, significant audit adjustments and uncorrected misstatements, disagreements with management, consultation with other independent accountants, issues discussed prior to retention of independent auditors and difficulties encountered in performing the audit. Also attached for your information is the required communication issued by VTD.

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

Attachments:

12112012_RCCD Annual Financial Report FY11-12
12112012_VTD SAS 114 Letter

RIVERSIDE COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2012 AND 2011

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2012 AND 2011

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the accompanying basic financial statements of Riverside Community College District (the District) as of and for the years ended June 30, 2012 and 2011, and its discretely presented component unit Riverside Community College District Foundation (the Foundation) as listed in the Table of Contents as of and for the year ended June 30, 2011. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Foundation which represents 100 percent of the assets, net assets, and revenues of the District's aggregate discretely presented component unit as of June 30, 2012, and for the year then ended. Those statements were audited by other auditors whose report dated November 6, 2012, thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of Riverside Community College District and its discretely presented component unit as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding formula of Riverside Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the supplementary information, such as Management's Discussion and Analysis on pages 4 through 11 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 60, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), and other supplementary information listed in the Table of Contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vavrinek, Trine, Day & Co., LLP.

Riverside, California
November 26, 2012

RCCD | RIVERSIDE COMMUNITY COLLEGE DISTRICT

MORENO VALLEY COLLEGE | NORCO COLLEGE | RIVERSIDE CITY COLLEGE

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Riverside Community College District (the District) as of June 30, 2012. The report consists of three basic financial statements: the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

- The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2011-2012 fiscal year, total reported resident FTES were 25,858 as compared to 29,149 in the 2010-2011 fiscal year. Total unfunded credit FTES was 1,097 for fiscal year 2011-2012 and 2,258 for fiscal year 2010-2011.

- Several construction and modernization projects at the District's three colleges resulted in completed buildings, building improvements, and improvements to sites totaling $95,408,776 in the 2011-2012 fiscal year. The projects, listed below, are funded both through State construction revenues and through the District's voter approved General Obligation Bond, Measure C.

  Nursing Science Building - Riverside
  Wheelock Gymnasium Seismic Retrofit - Riverside
  Quad Basement Remodel - Riverside
  March Dental Education Center - Moreno Valley
  Citrus Savings and Loan Gallery - District
  Allied Health Redistribution - Moreno Valley

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RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2012 AND 2011

- Employee salaries decreased by 8.17 percent or $9.3 million from the 2010-2011 fiscal year and employee benefits increased by 2.17 percent or $.7 million. The decrease in salaries is primarily due to a District-wide hiring freeze for full-time employees and a supplementary retirement plan (SRP) offer enacted in fiscal year 2011-2012. In addition, the use of part-time faculty decreased because of an apportionment reduction which resulted in fewer class section offerings during the academic year. The increase in benefit costs is primarily due to the aforementioned supplementary retirement plan (SRP) offer and an increase in health and welfare benefits.

- During the 2011-2012 fiscal year, the District provided over $60.4 million in financial aid to students attending classes at the three colleges. This aid was provided in the form of grants, scholarships, loans, and tuition reductions funded through the Federal government, State Chancellor's Office, and local funding as shown below.

Federal Pell Grants (PELL)	$ 38,096,698
Federal Supplement Education Opportunity Grant (FSEOG)	667,101
Federal Direct Student Loans (Direct Loans)	4,295,924
Federal Work Study Program (FWS)	636,832
State of California Cal Grant B (CALG-B)	1,814,345
State of California Cal Grant C (CALG-C)	64,458
California Community College Board of Governor's Fee Wavier	14,870,480
Total Financial Aid Provided to Students	$ 60,445,838

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2012 AND 2011

THE DISTRICT AS A WHOLE

Net Assets

Table 1

(Amounts in thousands)

	2012	2011	Change	2010	Change
ASSETS					
Current Assets					
Cash and investments	$ 110,626	$ 161,776	$ (51,150)	$ 85,170	$ 25,456
Accounts receivable (net)	48,272	52,590	(4,318)	45,126	3,146
Other current assets	237	236	1	298	(61)
Total Current Assets	159,135	214,602	(55,467)	130,594	28,541
Other noncurrent assets	1,541	1,623	(82)	814	727
Capital assets (net)	335,581	301,606	33,975	247,976	87,605
Total Assets	496,257	517,831	(21,574)	379,384	116,873
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	35,100	42,785	(7,685)	36,753	(1,653)
Current portion of long-term obligations	8,592	7,101	1,491	9,523	(931)
Total Current Liabilities	43,692	49,886	(6,194)	46,276	(2,584)
Long-Term Obligations	250,264	250,959	(695)	137,554	112,710
Total Liabilities	293,956	300,845	(6,889)	183,830	110,126
NET ASSETS					
Invested in capital assets	180,204	181,872	(1,668)	154,937	25,267
Restricted	21,943	27,176	(5,233)	35,121	(13,178)
Unrestricted	154	7,938	(7,784)	5,496	(5,342)
Total Net Assets	$ 202,301	$ 216,986	$ (14,685)	$ 195,554	$ 6,747

The District's components of assets, liabilities, and net assets are noted on page 13.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2012 AND 2011

Operating Results for the Year

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

Table 2

(Amounts in thousands)

	2012	2011	Change	2010	Change
Operating Revenues					
Tuition and fees (net)	$ 13,820	$ 14,248	$ (428)	$ 15,133	$ (1,313)
Other operating revenues	3	2	1	54	(51)
Total Operating Revenues	13,823	14,250	(427)	15,187	(1,364)
Operating Expenses					
Salaries and benefits	137,923	146,574	(8,651)	143,753	(5,830)
Supplies and maintenance	41,668	31,623	10,045	31,635	10,033
Student financial aid	45,575	51,888	(6,313)	36,424	9,151
Depreciation	11,833	11,095	738	8,481	3,352
Total Operating Expenses	236,999	241,180	(4,181)	220,293	16,706
Loss on Operations	(223,176)	(226,930)	3,754	(205,106)	(18,070)
Nonoperating Revenues					
State apportionments	88,517	100,149	(11,632)	93,478	(4,961)
Property taxes	36,803	36,033	770	37,963	(1,160)
State revenues	4,814	5,078	(264)	4,901	(87)
Federal and State grants and contracts	67,186	74,535	(7,349)	57,468	9,718
Net investment income	1,331	1,622	(291)	2,133	(802)
Net interest expense	(15,265)	(12,287)	(2,978)	(7,313)	(7,952)
Other nonoperating revenues	12,175	12,877	(702)	15,632	(3,457)
Loss on disposal of assets	(11)	(22)	11	-	(11)
Total Nonoperating Revenue	195,550	217,985	(22,435)	204,262	(8,712)
Other Revenues					
State capital income	12,941	30,377	(17,436)	9,851	3,090
Net Increase (Decrease) in Net Assets	$ (14,685)	$ 21,432	$ (36,117)	$ 9,007	$ (23,692)

The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionment. Property taxes levied and received from property within the District's boundaries increased slightly during the year. State apportionments decreased due to a decline in funded enrollment as a result of State budget cuts.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2012 AND 2011

During 2011-2012, the District's interest income was $1.3 million and interest expense was $15.3 million. Interest income is primarily derived from cash held in the Riverside County Treasury. Interest income has decreased approximately $0.3 million from the 2010-2011 fiscal year due to significantly lower interest rates and the State's apportionment deferral strategy passed along to community colleges. An increase in the General Obligation Bond principal resulting from the Series 2010 D issuance in November 2010 has resulted in increased interest expense for the year.

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

Table 3

Year ended June 30, 2012:

(Amounts in thousands)

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 64,973	$ 4,532	$ -	$ -	$ 69,505
Academic support	36,714	16,669	-	-	53,383
Student services	16,514	2,855	-	-	19,369
Plant operations and maintenance	6,674	5,212	-	-	11,886
Instructional support services	5,232	659	-	-	5,891
Community services and economic development	1,239	523	-	-	1,762
Ancillary services and auxiliary operations	6,193	2,993	-	-	9,186
Student aid	-	-	45,575	-	45,575
Physical property and related acquisitions	385	8,225	-	-	8,610
Unallocated depreciation	-	-	-	11,833	11,833
Total	$ 137,924	$ 41,668	$ 45,575	$ 11,833	$ 237,000

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2012 AND 2011

Year ended June 30, 2011:

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

Changes in Cash Position

Table 4

(Amounts in thousands)

	2012	2011	Change	2010	Change
Cash Provided by (Used in)					
Operating activities	$ (211,183)	$ (210,238)	$ (945)	$ (182,881)	$ (28,302)
Noncapital financing activities	201,311	212,464	(11,153)	186,206	15,105
Capital financing activities	(42,709)	72,875	(115,584)	(34,796)	(7,913)
Investing activities	1,431	1,505	(74)	2,190	(759)
Net Increase (Decrease) in Cash	(51,150)	76,606	(127,756)	(29,281)	(21,869)
Cash, Beginning of Year	161,776	85,170	76,606	114,451	47,325
Cash, End of Year	$ 110,626	$ 161,776	$ (51,150)	$ 85,170	$ 25,456

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2012 AND 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had $423.2 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2012, the District's net capital assets were $335.6 million. Major capital improvement projects are ongoing throughout the college campuses. These projects are primarily funded through State Construction Revenues and District General Obligation Bonds. Projects are accounted for within our Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be recorded to the depreciable Buildings and Improvement category.

Table 5

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 111,515	$ 42,737	$ (96,292)	$ 57,960
Buildings and land improvements	234,990	95,409	-	330,399
Equipment and vehicles	31,047	3,964	(202)	34,809
Subtotal	377,552	142,110	(96,494)	423,168
Accumulated depreciation	(75,946)	(11,833)	191	(87,588)
	$ 301,606	$ 130,277	$ (96,303)	$ 335,580

Obligations

At the end of the 2011-2012 fiscal year, the District had $243.1 million in General Obligation Bonds outstanding. These bonds are repaid in annual installments, in accordance with the obligation requirements, by way of property tax assessments on property within the Riverside Community College District's boundaries.

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2012 AND 2011

Table 6

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 244,440	$ 1,436	$ (2,727)	$ 243,149
Other liabilities	11,463	4,386	(3,282)	12,567
Total Long-Term Obligations	$ 255,903	$ 5,822	$ (6,009)	$ 255,716
Amount due within one year				$ 5,452

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 2011-2012 fiscal year on June 18, 2012.

The District's final revised budget for the unrestricted General Fund anticipated that expenditures would exceed revenue by $6.5 million. The actual results for the year showed revenues exceeded expenditures by $6.0 million.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE RIVERSIDE COMMUNITY COLLEGE DISTRICT

The financial position of the District is closely tied to the economic position of the State of California since the District's largest source of general unrestricted revenue is State apportionment at 67.72 percent. The District reported a large decrease in total reported FTES during fiscal year 2011-2012. Due to significant declines in State apportionment funding in fiscal years 2011-2012 and 2012-2013, the District offered fewer sections to reduce costs and the number of unfunded FTES. The District's fiscal year 2012-2013 adopted budget incorporated budget strategies to mitigate projected budget shortfall totaling $14.3 million. The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by Board Policy and the State Chancellor's Office.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,243,741	$ 499,351
Investments - unrestricted	1,333,557	9,314,247
Investments - restricted	108,048,997	151,962,589
Accounts receivable	47,912,606	52,224,808
Student accounts receivable, net	331,086	365,368
Due from fiduciary funds	28,742	29,519
Prepaid expenses	107,561	73,350
Deferred cost on issuance	99,156	101,551
Inventories	29,791	31,336
Total Current Assets	159,135,237	214,602,119
Noncurrent Assets		
Deferred cost on issuance - noncurrent portion	1,541,226	1,623,318
Nondepreciable capital assets	57,959,748	111,514,319
Depreciable capital assets, net of depreciation	277,620,424	190,091,534
Total Noncurrent Assets	337,121,398	303,229,171
TOTAL ASSETS	496,256,635	517,831,290
LIABILITIES		
Current Liabilities		
Accounts payable	15,032,228	19,986,265
Short-term borrowing	8,960,000	11,710,000
Accrued interest payable	6,371,623	5,922,703
Due to fiduciary funds	38,159	48,154
Deferred revenue	4,698,014	5,118,264
Claims liability	3,140,000	2,156,829
Compensated absences payable - current portion	1,498,186	1,206,283
Bonds payable - current portion	2,635,000	2,330,000
Lease obligations - current portion	33,913	44,576
Other long-term obligations - current portion	1,284,856	1,363,515
Total Current Liabilities	43,691,979	49,886,589
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	1,090,966	1,408,075
Bonds payable - noncurrent portion	232,889,196	234,088,275
Net debt premium	7,624,866	8,021,939
Lease obligations - noncurrent portion	108,593	140,412
Other long-term obligations - noncurrent portion	8,550,056	7,299,880
Total Noncurrent Liabilities	250,263,677	250,958,581
TOTAL LIABILITIES	293,955,656	300,845,170
NET ASSETS		
Invested in capital assets, net of related debt	180,204,231	181,872,460
Restricted for:		
Debt service	5,279,651	5,940,516
Capital projects	7,891,527	8,908,267
Educational programs	8,771,829	12,327,354
Unrestricted	153,741	7,937,523
TOTAL NET ASSETS	$ 202,300,979	$ 216,986,120

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Student Tuition and Fees	$ 28,691,148	$ 25,422,048
Less: Scholarship discount and allowance	(14,870,480)	(11,174,056)
Net tuition and fees	13,820,668	14,247,992
Other Operating Revenues	2,794	1,941
TOTAL OPERATING REVENUES	13,823,462	14,249,933
OPERATING EXPENSES		
Salaries	105,022,839	114,372,496
Employee benefits	32,900,152	32,201,817
Supplies, materials, and other operating expenses and services	31,269,625	30,321,355
Student financial aid	45,575,301	51,887,584
Equipment, maintenance, and repairs	10,397,955	1,301,734
Depreciation	11,833,261	11,094,650
TOTAL OPERATING EXPENSES	236,999,133	241,179,636
OPERATING LOSS	(223,175,671)	(226,929,703)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	88,517,209	100,148,696
Federal grants	57,390,248	64,571,078
State grants	9,795,854	9,963,513
Local property taxes levied for general purposes	24,351,264	25,217,503
Local property taxes levied for capital debt	12,451,654	10,815,265
State taxes and other revenues	4,814,300	5,078,096
Investment income	1,292,122	1,552,553
Interest expense on capital related debt	(15,264,865)	(12,287,170)
Investment income on capital related debt, net	38,544	69,374
Loss on disposal of capital assets	(10,513)	(21,909)
Other nonoperating revenue	12,174,187	12,877,617
TOTAL NONOPERATING REVENUES (EXPENSES)	195,550,004	217,984,616
LOSS BEFORE OTHER REVENUES	(27,625,667)	(8,945,087)
OTHER REVENUES		
State revenues, capital	12,940,526	30,377,255
CHANGE IN NET ASSETS	(14,685,141)	21,432,168
NET ASSETS, BEGINNING OF YEAR	216,986,120	195,553,952
NET ASSETS, END OF YEAR	$ 202,300,979	$ 216,986,120

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 14,054,074	$ 14,130,640
Short-term borrowings	(2,750,000)	690,000
Payments to vendors for supplies and services	(39,968,023)	(29,975,138)
Payments to or on behalf of employees	(136,946,669)	(143,197,856)
Payments to students for Federal direct student aid	(43,696,556)	(49,943,309)
Payments to students for State direct student aid	(1,878,745)	(1,944,275)
Other operating receipts	2,794	1,941
Net Cash Flows From Operating Activities	(211,183,125)	(210,237,997)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	81,559,205	97,308,958
Federal grants and contracts	59,575,682	63,345,722
State grants and contracts	8,852,242	10,221,544
Property taxes - non-debt related	24,513,244	25,385,465
State taxes and other apportionments	12,722,803	(396,424)
Other nonoperating	14,087,527	16,599,056
Net Cash Flows From Noncapital Financing Activities	201,310,703	212,464,321
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(51,625,122)	(60,803,033)
Proceeds from sale of general obligation bonds	-	111,844,693
Proceeds from issuance of capital leases	-	176,088
State revenue, capital projects	12,940,526	30,377,255
Property taxes - related to capital debt	12,451,654	10,815,265
Principal paid on capital debt	(2,769,555)	(7,315,835)
Interest paid on capital debt	(15,264,865)	(12,287,170)
Interest received on capital related debt	38,544	69,374
Accreted interest on general obligation bonds	1,435,921	841,477
Deferred cost on issuance	84,487	(843,444)
Net Cash Flows From Capital Financing Activities	(42,708,410)	72,874,670
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	1,430,940	1,504,704
NET CHANGE IN CASH AND CASH EQUIVALENTS	(51,149,892)	76,605,698
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	161,776,187	85,170,489
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 110,626,295	$ 161,776,187

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (223,175,671)	$ (226,929,703)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation and amortization expense	11,833,261	11,094,650
Changes in Operating Assets and Liabilities:		
Student receivables, net	34,282	8,607
Inventories	1,545	(9,154)
Prepaid expenses	(34,211)	134,720
Accounts payable and other accrued liabilities	1,240,905	1,581,508
Deferred revenue	520,453	(88,834)
Compensated absences	(99,672)	195,858
Supplementary Retirement Plan (SRP)	202,782	1,399,113
Other postemployment benefits (OPEB)	1,043,201	1,685,238
Short-term borrowings	(2,750,000)	690,000
Total Adjustments	11,992,546	16,691,706
Net Cash Flows From Operating Activities	$ (211,183,125)	$ (210,237,997)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 1,243,741	$ 499,351
Unrestricted cash in county treasury	1,333,557	9,314,247
Restricted cash in county treasury	108,048,997	151,962,589
Total Cash and Cash Equivalents	$ 110,626,295	$ 161,776,187
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 3,132,192	$ 2,721,709
Loss on disposal of capital assets	10,513	21,909
	$ 3,142,705	$ 2,743,618

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2012 AND 2011

	2012 Trust	2011 Trust
ASSETS		
Cash and cash equivalents	$ 1,877,595	$ 2,000,087
Accounts receivable, net	1,171	12,557
Due from primary government funds	38,159	48,154
Total Assets	1,916,925	2,060,798
LIABILITIES		
Accounts payable	48,474	65,210
Due to primary government funds	28,742	29,519
Due to student groups	991,095	971,508
Total Liabilities	1,068,311	1,066,237
NET ASSETS		
Unreserved	848,614	994,561
Total Net Assets	$ 848,614	$ 994,561

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012 Trust	2011 Trust
ADDITIONS		
Local revenues	$ 614,011	$ 688,812
DEDUCTIONS		
Books and supplies	371,377	334,707
Services and operating expenditures	245,507	270,635
Capital outlay	111,896	-
Total Deductions	728,780	605,342
OTHER FINANCING USES		
Other uses	(31,178)	(18,944)
Change in Net Assets	(145,947)	64,526
Net Assets - Beginning	994,561	930,035
Net Assets - Ending	$ 848,614	$ 994,561

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

DISCRETELY PRESENTED COMPONENT UNIT
RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

RIVERSIDE COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Unrestricted	$ 503,002	$ 636,646
Restricted	869,218	1,316,324
Accounts receivable	1,600	10,078
Unconditional promises to give	538,155	370,615
Prepaid expense	2,000	-
Total Current Assets	1,913,975	2,333,663
Noncurrent Assets		
Investments - restricted	4,804,265	3,488,505
Long-term unconditional promises to give, net of allowance	91,381	-
Total Noncurrent Assets	4,895,646	3,488,505
Total Assets	$ 6,809,621	$ 5,822,168
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 67,539	$ 201,829
Refundable advance	113,592	-
Promises to give to others	452,779	1,009,708
Total Current Liabilities	633,910	1,211,537
Total Liabilities	633,910	1,211,537
NET ASSETS		
Unrestricted		
Undesignated	(189,192)	(1,094,968)
Board designated	15,669	16,287
Total Unrestricted	(173,523)	(1,078,681)
Temporarily restricted	1,239,303	1,917,636
Permanently restricted	5,109,931	3,771,676
Total Net Assets	6,175,711	4,610,631
Total Liabilities and Net Assets	$ 6,809,621	$ 5,822,168

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Donations	$ 361,936	$ 586,289	$ 1,413,012	$ 2,361,237
In-kind donations				
Donated assets	21,431	-	-	21,431
Donated material	31,904	-	-	31,904
Donated services	515,683	-	-	515,683
Miscellaneous revenue	-	-	-	-
Total Revenues	930,954	586,289	1,413,012	2,930,255
Assets released from restriction	1,432,579	(1,266,923)	(165,656)	-
Total Revenues and Reclassifications	2,363,533	(680,634)	1,247,356	2,930,255
EXPENSES				
Operating expenses	576,325	-	-	576,325
Program expenses	876,378	-	-	876,378
Fundraising expenses	8,246	-	-	8,246
Total Expenses	1,460,949	-	-	1,460,949
OTHER INCOME (EXPENSE)				
Realized gain (loss) on sale of investments	(1,083)	(1,082)	(41,137)	(43,302)
Unrealized gain on investments	1,299	1,299	49,365	51,963
Interest and dividends income	2,358	2,084	82,671	87,113
Interest expense	-	-	-	-
Total Other Income (Expense)	2,574	2,301	90,899	95,774
CHANGE IN NET ASSETS	905,158	(678,333)	1,338,255	1,565,080
NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY STATED	(1,078,681)	1,917,636	3,771,676	4,610,631
PRIOR PERIOD ADJUSTMENTS	-	-	-	-
NET ASSETS, BEGINNING OF YEAR AS RESTATED	(1,078,681)	1,917,636	3,771,676	4,610,631
NET ASSETS, END OF YEAR	$ (173,523)	$ 1,239,303	$ 5,109,931	$ 6,175,711

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

2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 24,079	$ 692,317	$ 174,993	$ 891,389
19,935	-	-	19,935
21	-	-	21
532,137	-	-	532,137
889,800	-	-	889,800
1,465,972	692,317	174,993	2,333,282
1,149,341	(1,035,256)	(114,085)	-
2,615,313	(342,939)	60,908	2,333,282
753,106	-	-	753,106
1,008,290	-	-	1,008,290
3,332	-	-	3,332
1,764,728	-	-	1,764,728
362	271	8,411	9,044
19,052	13,853	437,452	470,357
3,933	2,950	91,434	98,317
(5,915)	-	-	(5,915)
17,432	17,074	537,297	571,803
868,017	(325,865)	598,205	1,140,357
(886,990)	2,243,501	3,173,471	4,529,982
(1,059,708)	-	-	(1,059,708)
(1,946,698)	2,243,501	3,173,471	3,470,274
$ (1,078,681)	$ 1,917,636	$ 3,771,676	$ 4,610,631

RIVERSIDE COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,565,080	$ 1,140,357
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Unrealized gain on investments	(51,963)	(470,353)
Contribution of restricted donations	(1,413,012)	(1,071,857)
Provision for doubtful accounts	2,930	-
Forgiveness of debt income	-	(889,800)
(Increase) decrease in:		
Accounts receivable	8,478	4,672
Prepaid expenses	(2,000)	-
Unrestricted unconditional promises to give	272,584	11,721
Increase (decrease) in:		
Accounts payable	(134,290)	(4,741,862)
Refundable advance	113,592	-
Net Cash Flows From Operating Activities	361,399	(6,017,122)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,309,232)	(147,780)
Proceeds from sale of investments	45,435	105,826
Net Cash Flows From Investing Activities	(1,263,797)	(41,954)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in long-term unconditional promises to give	(91,381)	426,226
Payments on promises to give to others	(556,929)	(50,000)
Collections of restricted contributions	1,417,064	1,498,083
Net Cash Flows From Financing Activities	768,754	1,874,309
NET CHANGE IN CASH AND CASH EQUIVALENTS	(133,644)	(4,184,767)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	636,646	4,821,413
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 503,002	$ 636,646
REQUIRED DISCLOSURE		
Interest paid	$ -	$ 5,915

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

NOTES TO FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

- **Riverside Community College District Foundation**

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

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

- **Riverside Community College District Development Corporation**

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

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

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2012 and 2011, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 $82,771 and $91,342 for the years ended June 30, 2012 and 2011, respectively.

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Compensated Absences

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

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

Deferred Revenue

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

Noncurrent Liabilities

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

Net Assets

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

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $21,943,007 of restricted net assets.

State Apportionments

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

Property Taxes

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

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

Board of Governors Grants (BOGG) and Fee Waivers

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, FSEOG Grants, Federal Work-Study, and Federal Direct Student Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement*. During the years ended June 30, 2012 and 2011, the District distributed $4,295,924 and $4,357,631, respectively, in direct lending through the U.S. Department of Education.

On Behalf Payments

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

Estimates

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

Interfund Activity

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

Foundation Financial Statement Presentation

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

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

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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

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

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

New Accounting Pronouncements

From time to time, the Governmental Accounting Standards Board will issue additional guidance on the accounting and reporting for financial transactions affecting governmental entities. The following is a summary of the most recent pronouncements which will impact future reporting or accounting requirements for the District. The full text of the following statements, along with implementation guides, may be found on the GASB website: www.gasb.org.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*.

> This Statement modifies and amends certain requirements for inclusion and reporting of component units in the financial reporting entity. Guidance is provided for both blended and discretely presented component units. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District or related component units for the June 30, 2013, financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

> The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included within other pronouncements issued on or before November 30, 1989, which does not conflict or contradict the GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. The provisions of this Statement are required to be applied retroactively for all periods presented. Management is in the process of determining the impact to the District reporting for the June 30, 2013, financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2013, financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

In June 2012, GASB issued Statements No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27*.

The primary objective of these Statements is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged. Management is in the process of determining the impact of both GASB Statements No. 67 and No. 68 on the June 30, 2015, financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Comparative Financial Information

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (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, 2012 AND 2011

General Authorizations

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

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, consist of the following:

	Primary Government
Cash on hand and in banks	$ 1,193,741
Cash in revolving	50,000
Investments	109,382,554
Total Deposits and Investments	$ 110,626,295

	Fiduciary Funds
Cash on hand and in banks	$ 1,877,595

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Interest Rate Risk

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

Specific Identification

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

Investment Type	Fair Market Value	Maturity Date
Riverside County Investment Pool	$ 109,513,443	1.18*

*Weighted average of maturity in years.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool are rated Aaa by Fitch Ratings Ltd. as of June 30, 2012.

Investment Type	Minimum Legal Rating	Rating June 30, 2012	Fair Market Value
Riverside County Investment Pool	Not Required	Aaa	$ 109,513,443

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, 2012, the District and fiduciary funds had bank balances of $1,426,543 and $2,037,623, respectively, totaling $3,464,166 of which $2,510,581 was exposed to custodial credit risk because it was uninsured and collateralized at 110 percent of balance over $250,000 with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The cash held in the County Treasury is uncategorized and the fair value approximates carrying value are shown above in the credit risk schedule. Deposits with the County Treasury are not categories because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values are provided by the County Treasurer. As of June 30, 2012, $109,382,554 is invested in the Riverside County Treasurer's Pooled Investment Fund. The Pooled Investment Fund is currently rated Aaa by Fitch Ratings Ltd.

NOTE 4 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

	Primary Government	
	2012	2011
Federal Government		
Categorical aid	$ 4,860,532	$ 6,868,214
FEMA	-	174,843
State Government		
Apportionment	32,195,723	24,203,536
Categorical aid	2,181,720	2,197,640
Other State sources	4,885,258	12,777,841
Local Sources		
Interest	108,606	247,424
Property taxes	1,154,855	1,316,835
Riverside Community College District Foundation	32,710	155,782
Riverside County Redevelopment Agency	93,213	1,208,503
Contributions from Foundation for Aquatics Complex	101,048	556,929
Other local sources	2,298,941	2,517,261
Total	$ 47,912,606	$ 52,224,808
Student receivables	$ 413,857	$ 456,710
Less allowance for bad debt	(82,771)	(91,342)
Student receivables, net	$ 331,086	$ 365,368
Total Receivables, Net	$ 48,243,692	$ 52,590,176

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2012, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 32,502,697	$ -	$ -	$ 32,502,697
Construction in progress	79,011,622	42,736,962	96,291,533	25,457,051
Total Capital Assets Not Being Depreciated	111,514,319	42,736,962	96,291,533	57,959,748
Capital Assets Being Depreciated				
Land improvements	11,598,766	489,309	-	12,088,075
Buildings and improvements	223,391,830	94,919,467	-	318,311,297
Furniture and equipment	31,046,995	3,963,888	201,981	34,808,902
Total Capital Assets Being Depreciated	266,037,591	99,372,664	201,981	365,208,274
Total Capital Assets	377,551,910	142,109,626	96,493,514	423,168,022
Less Accumulated Depreciation				
Land improvements	5,773,770	402,927	-	6,176,697
Buildings and improvements	45,251,975	8,364,149	-	53,616,124
Furniture and equipment	24,920,312	3,066,185	191,468	27,795,029
Total Accumulated Depreciation	75,946,057	11,833,261	191,468	87,587,850
Net Capital Assets	$ 301,605,853	$ 130,276,365	$ 96,302,046	$ 335,580,172

Depreciation expense for the year was $11,833,261.

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, 2012, the District has not recorded a value for the collection in the financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
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Capital asset activity for the District for the fiscal year ended June 30, 2011, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 32,502,697	$ -	$ -	$ 32,502,697
Construction in progress	45,860,319	58,949,478	25,798,175	79,011,622
Total Capital Assets Not Being Depreciated	78,363,016	58,949,478	25,798,175	111,514,319
Capital Assets Being Depreciated				
Land improvements	11,287,106	311,660	-	11,598,766
Buildings and improvements	194,617,048	28,774,782	-	223,391,830
Furniture and equipment	28,772,543	2,508,904	234,452	31,046,995
Total Capital Assets Being Depreciated	234,676,697	31,595,346	234,452	266,037,591
Total Capital Assets	313,039,713	90,544,824	26,032,627	377,551,910
Less Accumulated Depreciation				
Land improvements	5,362,378	411,392	-	5,773,770
Buildings and improvements	38,311,015	6,940,960	-	45,251,975
Furniture and equipment	21,390,557	3,742,298	212,543	24,920,312
Total Accumulated Depreciation	65,063,950	11,094,650	212,543	75,946,057
Net Capital Assets	$ 247,975,763	$ 79,450,174	$ 25,820,084	$ 301,605,853

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2012	2011
Accrued payroll and benefits	$ 754,074	$ 924,063
Apportionment	2,838,589	1,804,406
Student financial aid grants	1,518,294	2,377,808
State categorical programs	131,712	336,469
Construction payables	5,637,842	11,444,871
Vendor payables	4,151,717	3,098,648
Total	$ 15,032,228	$ 19,986,265

	Fiduciary Funds	
	2012	2011
Vendor payables	$ 48,474	$ 65,210

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 7 - SHORT-TERM BORROWING

At June 30, 2011, the District had outstanding Tax and Revenue Anticipation Notes in the amount of $11,710,000 bearing interest of 2.50 percent. The notes were sold to supplement cash flow. Repayment requires that a percentage of principal and interest be deposited with the fiscal agent in July 2011 until 100 percent of the total principal and interest is due at maturity in October 31, 2011. The total outstanding Tax and Revenue Anticipation Notes of $11,710,000 was paid in full to the fiscal agent on July 29, 2011.

At June 30, 2012, the District had outstanding Tax and Revenue Anticipation Notes in the amount of $8,960,000 bearing interest of two percent. The notes were sold to supplement cash flow. Repayment requires that a percentage of principal and interest be deposited with the fiscal agent in July 2012 until 100 percent of the total principal and interest is due at maturity on December 31, 2012. The total outstanding Tax and Revenue Anticipation Notes of $8,960,000 was paid in full to the fiscal agent on July 31, 2012.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2010-2011 2.50% TRANS, Series L	$ 11,710,000	$ -	$ 11,710,000	$ -
2011-2012 2.00% TRANS, Series T	-	8,960,000	-	8,960,000
Total	$ 11,710,000	$ 8,960,000	$ 11,710,000	$ 8,960,000

NOTE 8 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	Primary Government	
	2012	2011
Federal financial assistance	$ 2,909	$ -
State categorical aid	1,130,669	1,315,735
Other State aid	505,609	130,000
Enrollment fees	1,625,671	1,369,008
Theater subscriptions	168,849	259,682
Health and liability self-insurance	1,008,832	1,095,057
Community Learning in Partnership	-	758,546
Summer community education fees	56,794	23,500
Other local	198,681	166,736
Total	$ 4,698,014	$ 5,118,264

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2012, the amount owed between the government and the fiduciary funds were $28,742 and $38,159, respectively.

Interfund Operating Transfers

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2012 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bonds, Series A	$ 3,475,000	$ -	$ 500,000	$ 2,975,000	$ 620,000
General obligation bonds,					
Refunding Bond 2005	54,314,469	877,697	1,830,000	53,362,166	2,015,000
Net unamortized debt premium	4,217,262	-	162,837	4,054,425	-
General obligation bonds, Series 2007 C	68,510,000	-	-	68,510,000	-
Net unamortized debt premium	2,112,726	-	176,060	1,936,666	-
General obligation bonds, Series 2010 D/D-1	110,118,806	558,224	-	110,677,030	-
Net unamortized debt premium	1,691,951	-	58,176	1,633,775	-
Total Bonds Payable	244,440,214	1,435,921	2,727,073	243,149,062	2,635,000
Other Liabilities					
Compensated absences	2,614,358	-	25,206	2,589,152	1,498,186
Capital leases	184,988	-	42,482	142,506	33,913
Supplementary Retirement Plan (SRP)	4,497,847	1,940,014	1,737,232	4,700,629	1,284,856
Load banking	827,220	204,024	278,490	752,754	-
Other postemployment benefits (OPEB)	3,338,328	2,242,316	1,199,115	4,381,529	-
Total Other Liabilities	11,462,741	4,386,354	3,282,525	12,566,570	2,816,955
Total Long-Term Obligations	$ 255,902,955	$ 5,822,275	$ 6,009,598	$ 255,715,632	$ 5,451,955

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
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The changes in the District's long-term obligations during the 2011 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bonds, Series A	$ 3,475,000	$ -	$ -	$ 3,475,000	$ 500,000
General obligation bonds, Refunding Bond 2005	55,212,992	841,477	1,740,000	54,314,469	1,830,000
Net unamortized debt premium	4,380,099	-	162,837	4,217,262	-
General obligation bonds, Series 2007 C	73,695,000	-	5,185,000	68,510,000	-
Net unamortized debt premium	2,288,786	-	176,060	2,112,726	-
General obligation bonds, Series 2010 D/D-1	-	110,118,806	-	110,118,806	-
Net unamortized debt premium	-	1,725,887	33,936	1,691,951	-
Total Bonds Payable	139,051,877	112,686,170	7,297,833	244,440,214	2,330,000
Other Liabilities					
Compensated absences	2,474,015	140,343	-	2,614,358	1,206,283
Capital leases	26,902	176,088	18,002	184,988	44,576
Supplementary Retirement Plan (SRP)	3,098,734	2,290,285	891,172	4,497,847	1,349,229
Load banking	771,705	325,010	269,495	827,220	14,286
Other postemployment benefits (OPEB)	1,653,090	2,262,462	577,224	3,338,328	-
Total Other Liabilities	8,024,446	5,194,188	1,755,893	11,462,741	2,614,374
Total Long-Term Obligations	$ 147,076,323	$ 117,880,358	$ 9,053,726	$ 255,902,955	$ 4,944,374

Description of Debt

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property tax collections. The capital lease payments are made by the General Fund. The compensated absences are paid by the fund for which the employees' salaries are paid from. The District's General Fund makes payments for the postemployment benefits, Supplemental Retirement Plan, and load banking obligations.

Bonded Debt

2004 General Obligation Bonds

During March 2004, voters of the District authorized the issuance and sale of general obligation bonds in the amount of $350,000,000. As a result of the authorization, General Obligation Bonds Series 2004A "Series A Bonds" and Series 2004B (federally taxable) "Series B Bonds" were issued in August 2004. At June 30, 2012, the principal outstanding was $2,975,000.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Series B Bonds were issued to advance refund the District's outstanding certificates of participation. The refunded COPs are considered defeased. This advance refunding was undertaken to reduce total debt service payments by $2,298,036 and to obtain an economic gain of $237,565. The Series B Bonds have been paid in full.

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

2005 General Obligation Refunding Bonds

During May 2005, the District issued 2005 General Obligation Refunding Bonds in the amount of $58,386,109 with interest rates ranging from 3.00 to 5.00 percent. The bonds issued included $54,425,000 of current interest bonds and $3,961,109 of capital appreciation bonds, with the value of the capital appreciation bonds maturing to a principal balance of $10,555,000. The bonds mature through August 1, 2024. Principal and interest on the refunded debt will be paid until such time as they can be redeemed on August 1, 2014. At June 30, 2012, the principal outstanding was $53,362,166, and net unamortized debt premium was $4,054,425.

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

Net debt premium consists of the following:

	June 30, 2012
Deferred loss on refunding	$ (2,027,899)
Debt issue costs	(581,218)
Debt premium	6,663,542
Net unamortized debt premium	$ 4,054,425

2007 General Obligation Bonds

During June 2007, the District issued the 2007 General Obligation Bonds in the amount of $90,000,000. The bonds mature beginning on August 1, 2007 through August 1, 2032, with interest yields ranging from 3.62 to 4.47 percent. At June 30, 2012, the principal outstanding was $68,510,000 and unamortized premium and issuance costs of $1,936,666 and $745,821, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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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, 2012, the principal balance outstanding was $110,677,030 and unamortized premium and issuance cost of $1,633,775 and $894,561, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

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

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

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2012
2004	2030	4.00%-5.25%	$ 55,205,000	$ 3,475,000	$ -	$ -	$ 500,000	$ 2,975,000
2005	2025	3.00%-5.00%	58,386,109	54,314,469	-	877,697	1,830,000	53,362,166
2007	2033	3.62%-4.47%	90,000,000	68,510,000	-	-	-	68,510,000
2010	2041	2.36%-5.53%	109,999,278	110,118,806	-	558,224	-	110,677,030
				$ 236,418,275	$ -	$1,435,921	$ 2,330,000	$ 235,524,196

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 620,000	$ 113,675	$ 733,675
2014	795,000	85,375	880,375
2015	1,000,000	49,475	1,049,475
2016	15,000	29,156	44,156
2017	15,000	28,462	43,462
2018-2022	120,000	126,652	246,652
2023-2027	215,000	83,681	298,681
2028-2030	195,000	16,637	211,637
Total	$ 2,975,000	$ 533,113	$ 3,508,113

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2013	$ 1,900,931	$ 114,069	$ 2,298,250	$ 4,313,250
2014	1,817,755	347,245	2,298,250	4,463,250
2015	1,729,883	585,117	2,298,250	4,613,250
2016	1,948,597	981,403	2,298,250	5,228,250
2017	3,165,000	-	2,219,125	5,384,125
2018-2022	22,555,000	-	8,124,875	30,679,875
2023-2025	20,245,000	-	1,583,375	21,828,375
Total	$ 53,362,166	$ 2,027,834	$ 21,120,375	$ 76,510,375

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
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The General Obligation Bonds, Series 2007 C mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ -	$ 3,425,500	$ 3,425,500
2014	-	3,425,500	3,425,500
2015	-	3,425,500	3,425,500
2016	-	3,425,500	3,425,500
2017	-	3,425,500	3,425,500
2018-2022	-	17,127,500	17,127,500
2023-2027	15,340,000	16,377,750	31,717,750
2028-2032	52,170,000	7,211,750	59,381,750
2033	1,000,000	25,000	1,025,000
Total	$ 68,510,000	$ 57,869,500	$ 126,379,500

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
2013	$ -	$ -	$ 7,164,193	$ 7,164,193
2014	-	-	7,164,193	7,164,193
2015	-	-	7,164,193	7,164,193
2016	249,394	125,606	7,322,979	7,697,979
2017	337,377	232,612	7,441,698	8,011,687
2018-2022	2,955,021	2,549,080	38,660,925	44,165,026
2023-2027	4,835,239	4,868,272	41,042,940	50,746,451
2028-2032	760,000	-	35,820,965	36,580,965
2033-2037	46,980,000	-	30,916,867	77,896,867
2038-2041	54,560,000	-	12,252,348	66,812,348
Total	$ 110,677,030	$ 7,775,570	$ 194,951,301	$ 313,403,901

Capital Leases

The District has utilized capital leases purchase agreements to primarily purchase equipment. The current lease purchase agreement in the amount of $142,506 will be paid through 2016.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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

Year Ending June 30,	Lease Payment
2013	$ 39,936
2014	39,937
2015	39,937
2016	36,609
Total	156,419
Less: Amount Representing Interest	13,913
Present Value of Minimum Lease Payments	$ 142,506

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

Equipment	$ 242,617
Less: Accumulated depreciation	(108,107)
Total	$ 134,510

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

Supplementary Retirement Plan

The District has adopted the Public Agency Retirement System (PARS) 403(b) Supplementary Retirement Plan (SRP), a retirement incentive program. As of June 30, 2012, the outstanding balance was $4,700,629. See Note 14 for additional information regarding the SRP obligation.

Fiscal Year	SRP Payment
2013	$ 1,284,856
2014	1,284,856
2015	1,284,857
2016	846,060
Total	$ 4,700,629

Compensated Absences

Compensated absence obligations for the District at June 30, 2012, amounted to $2,589,152 of which $1,498,186 is considered current.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2012, was $2,282,222, and contributions made by the District during the year were $1,199,115. Interest on the net OPEB obligation and adjustments to the annual required contribution were $166,916 and $(206,822), respectively, which resulted in an increase to the net OPEB obligation of $1,043,201. As of June 30, 2012, the net OPEB obligation was $4,381,529. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Load Banking

The load banking obligation for the District at June 30, 2012, amounted to $752,754.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

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

Plan Description

The Riverside Community College District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and one dependent. Membership of the Plan consists of 55 retirees and beneficiaries currently receiving benefits and 1,015 active Plan members.

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2011-2012, the District contributed $1,199,115 to the Plan, all of which was used for current premiums.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 2,282,222
Interest on net OPEB obligation	166,916
Adjustment to annual required contribution	(206,822)
Annual OPEB cost (expense)	2,242,316
Contributions made	(1,199,115)
Increase in net OPEB obligation	1,043,201
Net OPEB obligation, beginning of year	3,338,328
Net OPEB obligation, end of year	$ 4,381,529

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2010	$ 1,462,715	$ 766,350	52%	$ 1,653,090
2011	2,262,462	577,224	26%	3,338,328
2012	2,242,316	1,199,115	53%	4,381,529

Funding Status and Funding Progress

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
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The above noted actuarial accrued liability was based on the July 1, 2009, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the unit credit cost method was used. Under this method, there are no liabilities dependent on salary, therefore, no salary increase rate is assumed. The actuarial assumptions include healthcare cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2012, was 26 years. The actuarial value of assets was not determined in this actuarial valuation. As of June 30, 2012, the District finances its OPEB contributions using a pay-as-you-go method. The District has not established a plan or equivalent arrangement that contains an irrevocable trust.

NOTE 12 - RISK MANAGEMENT

Insurance Coverages

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2012, the District contracted with the Alliance of Schools for Cooperative Insurance Program Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2011-2012, the District participated in the Schools Excess Liability Fund Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first $500,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

Employee Medical Benefits

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

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
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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, 2010 to June 30, 2012:

	Self-Insurance
Liability Balance, July 1, 2010	$ 5,319,851
Claims and changes in estimates	273,257
Claims payments	(3,436,279)
Liability Balance, June 30, 2011	2,156,829
Claims and changes in estimates	6,485,852
Claims payments	(5,502,681)
Liability Balance, June 30, 2012	$ 3,140,000
Assets available to pay claims at June 30, 2012	$ 7,478,852

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

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
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CalSTRS

Plan Description

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

Funding Policy

Active members of the DB Plan are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were $4,995,773, $5,263,423, and $5,301,072, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2011-2012 was 10.923 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were $3,827,482, $3,960,411, and $3,606,582, respectively, and equaled 100 percent of the required contributions for each year.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $3,132,192 (4.855 percent of annual payroll). 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. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

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

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

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

Public Agency Retirement System (PARS) - Alternate Retirement System

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

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

The minimum total contribution is 7.5 percent of employees' salaries, of which the employee contributes the total 7.5 percent. District employees are covered under PARS Plan #763 as of June 30, 2012. Total contributions to the plan amounted to $559,677.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

The District has adopted Public Agency Retirement System (PARS) 403(b) Supplementary Retirement Plans (SRPs). These SRPs are designed to meet the requirements of Section 403(b) of the Internal Revenue Code of 1986, as amended, and, to the extent applicable, the Employee Retirement Income Security Act of 1974, as amended. Employees eligible to receive retirement benefits under the SRPs must be a permanent employee with at least age fifty-five (55) with eight (8) or more years of full-time equivalent District service from the date of the formal action taken by the District (retire during the window period in the formal action taken by the District's Governing Board of Trustees). The benefits provided under the SRPs are funded in five (5) annual contributions. (See Note 10.)

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

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

During the year ended June 30, 2012, the District made payments of $32,175, $8,029, $1,481,738, and $588,088 to SELF, RCCCSSIPE, REEP, and ASCIP, respectively.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
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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, 2012.

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
2013	$ 2,591,319
2014	37,116
2015	32,757
Total	$ 2,661,192

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Construction Commitments

As of June 30, 2012, the District had the following budgetary commitments with respect to the unfinished capital projects:

Project	Estimated Cost to Complete	Percent Complete	Estimated Completion
District - ADA Transition Plan	$ 5,417,030	14.83%	FY 14/15
District - Alumni Carriage House Restoration	35,771	76.15%	FY 12/13
District - Design Standards	55,021	84.50%	FY 12/13
District - IT Upgrade	5,590,062	4.28%	FY 14/15
District - Swing Space - Market Street Properties	248,604	48.69%	FY 15/16
District - Utility Infrastructure	5,481,051	11.60%	FY 14/15
Moreno Valley - Emergency Phones	169,621	62.31%	FY 12/13
Moreno Valley - Network Operations Center	2,931,709	3.05%	FY 13/14
Moreno Valley - Science Laboratories Remodel Project	3,312,240	5.36%	FY 14/15
Moreno Valley - Student/Academic Services Facility Project	16,317,692	16.01%	FY 13/14
Norco - Groundwater Monitoring Wells	51,772	55.64%	FY 15/16
Norco - Network Operations Center	9,671,415	17.86%	FY 12/13
Norco - Secondary Effects Projects	3,890,708	75.75%	FY 12/13
	$ 53,172,696	27.88%	

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

Deferral of State Apportionments

Due to the State's budget situation, certain general apportionments owed to the District for the 2011-2012 fiscal year have been deferred to the 2012-2013 fiscal year. The District's total amount of funding deferred into the 2012-2013 fiscal year was $32,195,723. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

Fiscal Issues Relating to State-Wide Funding Reductions

The State of California economy is continuing through a recessionary economy. The California Community College system is reliant on the State of California to appropriate the funding necessary to provide for the educational services and student support programs that are mandated for the colleges. Current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for California community colleges in addition to requiring substantial budget reductions.

The District has implemented budgetary reductions to counter the reductions in apportionment and program funding. However, continued reductions and deferral of cash payments will ultimately impact the District's ability to meet the goals for educational services.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 17 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

The District issued $5,000,000 of Tax and Revenue Anticipation Notes dated July 1, 2012. The notes mature on March 1, 2013, with an interest rate of 2.0 percent, and yields of .24 and .46 percent interest. The notes were sold to supplement cash flow.

Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent each month beginning January 2013 until 100 percent of principal and interest due is on account on March 1, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2007	$ -	$ 9,766,024	$ 9,766,024	0.00%	N/A	N/A
July 1, 2009	-	15,799,353	15,799,353	0.00%	N/A	N/A

SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2012

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

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

BOARD OF TRUSTEES

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

DISTRICT ADMINISTRATION

Dr. Gregory Gray	Chancellor
Dr. James L. Buysse	Vice Chancellor, Administration and Finance
Dr. Ray Maghroori	Vice Chancellor, Academic Affairs
Ms. Melissa Kane	Vice Chancellor, Diversity and Human Resources

COLLEGE ADMINISTRATION

Dr. Cynthia Azari	President, Riverside City College
Dr. Debbie DiThomas	Interim President, Norco College
Dr. Tom Harris	Acting 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, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass through from the Regents of the University of California, Riverside			
GS-5 Certified: Increasing Soil Science Education	10.223	S-000440	$ 67,769
Building Bridges Across Riverside through Water Quality Research	10.223	S-000440	7,200
Pass through from California Department of Education (CDE)			
Child and Adult Care Food Program	10.558	[1]	2,367
Total U.S. Department of Agriculture			77,336
U.S. DEPARTMENT OF DEFENSE			
Procurement Assistance Center (PAC)	12.002		272,533
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership	16.607		3,054
U.S. DEPARTMENT OF LABOR			
WORKFORCE INVESTMENT ACT			
WIA Cluster:			
Pass through from California Community Colleges Chancellor's Office			
Governor's 15% WIA Funds for Allied Health Programs	17.258	08-115-14, 09-115-14	304,097
Pass through from Riverside County Economic Development Agency (EDA)			
CalGrip: California Gang Reduction, Intervention, and Prevention	17.259	[1]	15,752
Subtotal WIA Cluster			319,849
Pass through from San Bernardino Community College District			
ARRA - Southern CA Logistics Technology Collaborative	17.275	[1]	284,618
Total U.S. Department of Labor			604,467
NATIONAL SCIENCE FOUNDATION			
Logistics Technicians: Goods to Go *	47.076		234,379
National Center of Excellence for Logistics and Supply Chain Technology *	47.076		419,174
Total National Science Foundation			653,553
SMALL BUSINESS ADMINISTRATION			
Pass through from California State University, Fullerton			
Auxiliary Services Corporation			
Tri-Tech Small Business Development Center	59.037	S-5133-TRITECH S-5322-RCCD	481,284
Tri-Tech Small Business Jobs Act	59.037	S-5194-TRITECH	61,724
Pass through from California Community Colleges Chancellor's Office			
CA State Trade Export	59.061	F11-0072	170,812
Total Small Business Administration			713,820
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veteran Outreach Program - Administration	64.000		7,560
U.S. DEPARTMENT OF EDUCATION			
TRIO Cluster:			
Student Support Services Program	84.042A		987,141
Upward Bound Program	84.047A		730,849
Subtotal TRIO Cluster			1,717,990

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

(Continued)

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION, Continued			
Student Financial Assistance Cluster:			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		$ 667,101
FSEOG Administrative	84.007		6,778
Federal Direct Student Loans (Direct Loans)	84.268		4,295,924
Federal Work Study Program (FWS)	84.033		636,832
Federal Work Study Administrative	84.033		38,342
Federal Pell Grants (PELL)	84.063		38,096,698
Federal Pell Administrative	84.063		77,999
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Scholarships for Disadvantaged Students	93.925		5,836
Subtotal Student Financial Assistance Cluster			43,825,510
HIGHER EDUCATION ACT			
Moreno Valley Student Learning Cooperative	84.031S		378,267
Answering the Call	84.031S		548,767
Portal to Your Future	84.031S		289,520
Transdisciplinary Cooperation for Academic and Career Success	84.031S		1,281,741
Pass through from University of California, Riverside			
Strengthening Institutions - Hispanic Serving Institutions	84.031		69,547
COLLEGE COST REDUCTION AND ACCESS ACT			
CCRAA - Access to Success	84.031C		45,802
CCRAA - Project Success Program	84.031C		26,272
CCRAA - Step up to Success Cooperative	84.031C		67,027
Subtotal Higher Education - Institutional Aid			2,706,943
Fund for Improvement of Post-Secondary Education (FIPSE)	84.116Z		242,812
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education, Title I-B Regional Consortia Desert	84.048	[1]	146,467
Career and Technical Education, Title I-C	84.048	11-C01-045	998,721
Career and Technical Education Transitions	84.048	11-112-960	231,981
REHABILITATION ACT			
Pass through from California Department of Rehabilitation (DOR)			
Workability	84.126A	26958	197,234
ELEMENTARY AND SECONDARY EDUCATION ACT			
FIE Earmark Grant Awards	84.215K	[1]	29,824
Total U.S. Department of Education			50,091,646

[1] Pass-Through Identifying Number not available.

(Continued)

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Nurse Education, Practice, and Retention	93.359		$ 435,908
Health Care and Other Facilities - HRSA	93.887		196,581
ARRA - Equipment to Enhance Training for Health Professionals	93.411		39,980
Pass through from California Community Colleges Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	154,030
Foster Care Education Program	93.658	[1]	54,537
Pass through from Yosemite Community College District			
Early Childhood Study - Consortium Grant	93.575	10/11/4165	17,400
Pass through from Riverside County Department of Public Social Services			
Independent Living Skills - Emancipation Services	93.674	CS-02161	957,856
Pass through from Foundation for California Community Colleges (FCCC)			
Youth Empowerment Strategies for Success - Independent Living Program	93.674	[1]	554
Pass through from California Department of Health Services			
Medical Assistance Program (MAA)	93.778	[1]	44,754
AFFORDABLE CARE ACT			
Expansion of Physical Assistant Training Program	93.514		196,376
Total U.S. Department of Health and Human Services			2,097,976
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Pass through from San Francisco State University			
Social Innovation Generation: Student Leadership Initiative	94.005	S10-0036	4,117
DEPARTMENT OF HOMELAND SECURITY			
Disaster Grants - Public Assistance	97.036		350,879
Total Expenditures of Federal Awards			$ 54,882,777

[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, 2012

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Board Financial Assistance Program (BFAP) - unrestricted	$ 191,449	$ -	$ 191,449
Board Financial Assistance Program (BFAP) - restricted	1,167,204	106,717	1,273,921
Basic Skills/ESL 2009-2010	-	28,327	28,327
Basic Skills/ESL 2010-2011	-	108,100	108,100
Basic Skills/ESL 2011-2012	337,603	-	337,603
Part-Time Faculty Insurance	7,794	-	7,794
Part-Time Faculty Office Hours	54,269	-	54,269
Part-Time Faculty Compensation	568,878	-	568,878
Homeowner Property Tax Relief	470,000	-	470,000
State Tax Subventions	600	-	600
State Lottery - Non-Proposition 20	3,200,000	-	3,200,000
CSUSB Bridges Stem Cell Research	24,900	22,078	46,978
CTE Community Collaborative Project 2009-2010	-	163,338	163,338
CTE Community Collaborative Project 2010-2011	-	400,000	400,000
CTE Community Collaborative Project Supplement 2009-2010	-	37,860	37,860
CTE Community Collaborative Project Supplement 2010-2011	-	130,000	130,000
CTE Enrollment Growth and Retention ADN-RN 2009-2010	-	153,793	153,793
CTE Enrollment Growth and Retention ADN-RN 2010-2011	256,500	257,925	514,425
CTE Enrollment Growth and Retention ADN-RN 2011-2012	260,687	-	260,687
Responsive Training Fund	254,105	-	254,105
CTE Workforce Innovation Partnership	-	131,264	131,264
PA Mental Health Special Program	167,022	-	167,022
Song Brown Nursing 2010-2012	-	92,031	92,031
Song Brown Special Project Mental Health	-	92,202	92,202
Song Brown RN Special Programs 2010-2012	-	71,722	71,722
Physician's Assistant Base	100,000	-	100,000
Extended Opportunity Program and Service (EOPS)	1,206,995	-	1,206,995
Cooperative Agencies Resources for Education (CARE)	135,718	-	135,718
Matriculation Grant	866,624	-	866,624
Active Minds Mental Health Education and Awareness	-	8,033	8,033
Staff Development	-	8,219	8,219
Foster Care Education Program	71,993	-	71,993
Middle College High School	99,454	-	99,454
Economic Development - CITD State Leadership	172,500	21,139	193,639
Timber Tax Yield	-	-	-
Staff Diversity	11,079	41,422	52,501

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
$ 191,449	$ -	$ -	$ -	$ 191,449	$ 191,449
1,273,921	-	-	-	1,273,921	1,273,921
28,327	-	1,124	-	27,203	27,203
108,100	-	-	6,291	101,809	101,809
337,603	-	-	166,868	170,735	170,735
7,794	-	-	-	7,794	7,794
54,269	-	-	-	54,269	54,269
568,878	-	-	-	568,878	568,878
467,680	2	-	-	467,682	467,682
1,454	-	-	-	1,454	1,454
2,218,694	1,193,371	-	-	3,412,065	3,412,065
21,528	44	-	-	21,572	21,572
163,338	-	4,095	-	159,243	159,243
400,000	-	-	311,679	88,321	88,321
37,860	-	1,054	-	36,806	36,806
130,000	-	-	46,176	83,824	83,824
153,792	-	-	-	153,792	153,792
431,675	-	-	195,508	236,167	236,167
218,977	-	-	216,711	2,266	2,266
152,463	-	-	81,021	71,442	71,442
131,264	-	8,059	-	123,205	123,205
-	46,674	-	-	46,674	46,674
67,011	7,018	-	-	74,029	74,029
-	38,683	-	-	38,683	38,683
45,917	17,713	-	-	63,630	63,630
70,593	16,810	-	-	87,403	87,403
1,206,996	-	81,435	-	1,125,561	1,125,561
135,719	-	108	-	135,611	135,611
866,624	-	-	-	866,624	866,624
7,009	-	-	-	7,009	7,009
8,220	-	-	7,050	1,170	1,170
57,294	5,992	-	-	63,286	63,286
39,782	59,672	-	-	99,454	99,454
124,639	55,890	-	-	180,529	180,529
9	-	-	-	9	9
52,501	-	-	30,675	21,826	21,826

(Continued)

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
GENERAL FUND, Continued			
Faculty Entrepreneurship Project	$ 15,000	$ -	$ 15,000
Youth Entrepreneurship Program 11/12	10,000	-	10,000
Community Emergency Response Team	1,500	-	1,500
Disabled Student Program and Services - DSPS	1,609,947	-	1,609,947
CalWORKS	498,998	-	498,998
CalWORKS Community College Set-Aside	80,000	20,114	100,114
ECP - CITD Leadership	-	6,237	6,237
State Transition to Nursing Practice	8,000	9,193	17,193
State Lottery - Proposition 20	600,000	-	600,000
CHILD DEVELOPMENT FUND			
Campus Child Care Tax Bailout	70,348	-	70,348
Child Nutrition Program	592	-	592
Reimbursement from UCR	-	-	-
STUDENT FINANCIAL AID FUND			
Cal Grant B and C	1,910,810	-	1,910,810
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
$ 3,750	$ 6,979	$ -	$ -	$ 10,729	$ 10,729
-	10,220	-	5,601	4,619	4,619
1,500	-	-	278	1,222	1,222
1,609,947	-	-	-	1,609,947	1,609,947
498,998	-	2,400	-	496,598	496,598
83,863	-	-	51,009	32,854	32,854
6,238	-	1,430	-	4,808	4,808
17,193	-	-	10,679	6,514	6,514
105,707	684,502	-	-	790,209	790,209
70,348	-	-	-	70,348	70,348
109	-	-	-	109	109
-	25,000	-	-	25,000	25,000
1,910,350	460	32,007	-	1,878,803	1,878,803
$ 14,089,383	$ 2,169,030	$ 131,712	$ 1,129,546	$ 14,997,155	$ 14,997,155

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2012

	Reported Data	Audit Adjustments	Audited Data
CATEGORIES			
A. Summer Intersession (Summer 2011 only)			
1. Noncredit	39	-	39
2. Credit	1,950	-	1,950
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,822	-	16,822
(b) Daily Census Contact Hours	1,645	-	1,645
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	98	-	98
(b) Credit	1,776	-	1,776
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Contact Hours	2,405	-	2,405
(b) Daily Census Contact Hours	1,123	-	1,123
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	25,858	-	25,858
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	498	-	498
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	56	-	56
2. Credit	2,325	-	2,325

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, 2012

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 25,940,800	$ -	$ 25,940,800	$ 25,940,800	$ -	$ 25,940,800
Other	1300	21,612,047	-	21,612,047	21,612,047	-	21,612,047
Total Instructional Salaries		47,552,847	-	47,552,847	47,552,847	-	47,552,847
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	11,096,860	-	11,096,860
Other	1400	-	-	-	1,209,464	-	1,209,464
Total Noninstructional Salaries		-	-	-	12,306,324	-	12,306,324
Total Academic Salaries		47,552,847	-	47,552,847	59,859,171	-	59,859,171
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	24,991,896	-	24,991,896
Other	2300	-	-	-	656,632	-	656,632
Total Noninstructional Salaries		-	-	-	25,648,528	-	25,648,528
Instructional Aides							
Regular Status	2200	2,171,777	-	2,171,777	2,171,777	-	2,171,777
Other	2400	242,385	-	242,385	242,385	-	242,385
Total Instructional Aides		2,414,162	-	2,414,162	2,414,162	-	2,414,162
Total Classified Salaries		2,414,162	-	2,414,162	28,062,690	-	28,062,690
Employee Benefits	3000	11,840,869	-	11,840,869	29,316,192	-	29,316,192
Supplies and Material	4000	-	-	-	1,831,622	-	1,831,622
Other Operating Expenses	5000	-	-	-	11,677,172	-	11,677,172
Equipment Replacement	6420	-	-	-	2,511	-	2,511
Total Expenditures Prior to Exclusions		61,807,878	-	61,807,878	130,749,358	-	130,749,358

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, 2012

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ 1,961,702	$ -	$ 1,961,702
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,082,923	-	1,082,923
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,400,509	-	1,400,509
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	2,742,289	-	2,742,289
Employee Benefits	3000	-	-	-	669,777	-	669,777
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	7,857,200	-	7,857,200
Total for ECS 84362, 50 Percent Law		$ 61,807,878	$ -	$ 61,807,878	$ 122,892,158	$ -	$ 122,892,158
Percent of CEE (Instructional Salary Cost/Total CEE)		50.29%		50.29%	100.00%		100.00%
50% of Current Expense of Education					$ 61,446,079		$ 61,446,079

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance and Retained Earnings:		
General Funds	$ 15,422,909	
Special Revenue Funds	89,687	
Capital Outlay Projects	94,166,772	
Debt Service Funds	11,651,274	
Proprietary Fund	4,338,852	
Total Fund Balances and Retained Earnings - All District Funds		**$ 125,669,494**
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:	423,168,022	
Accumulated depreciation is:	(87,587,850)	335,580,172
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.		(6,371,623)
Governmental funds report cost of issuance associated with the issuance of debt when first issued, whereas the amounts are deferred and amortized in the Statements of Activities.		
Cost of issuance at year end amounted to:		1,640,382
Long-term obligations at year end consist of:		
Bonds payable	243,149,062	
Capital leases payable	142,506	
Compensated absences	2,589,152	
Load banking	752,754	
Supplementary retirement plan (SRP)	4,700,629	
Other postemployment benefits (OPEB)	4,381,529	
Less compensated absences already recorded in funds	(1,498,186)	(254,217,446)
Total Net Assets		**$ 202,300,979**

See accompanying note to supplementary information.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Build America Bond funds that have been recorded as revenues, but not reported on the Schedule of Expenditures of Federal Awards. Build America Bonds are not subject to OMB Circular A-133 audit, therefore, are not required to be reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Assets:		$ 57,390,248
Build America Bonds	N/A	(2,507,468)
Other Federal programs	N/A	(3)
Total Expenditures of Federal Awards		$ 54,882,777

Subrecipients

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
GS-5 Certified: Increasing Soil Science Education	10.223	$ 16,997
Logistics Technicians: Goods to Go	47.076	46,735
Higher Education - Institutional Aid	84.031S	202,062
CCRAA - Step Up to Success Cooperative	84.031C	5,785
Independent Living Skills - Emancipation Services	93.674	184,077
Total Pass-Through		$ 455,656

RIVERSIDE COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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

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

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

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

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

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

Reconciliation of Governmental Funds to the Statement of Net Assets

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

INDEPENDENT AUDITORS' REPORTS

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

VALUE THE DIFFERENCE

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

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the basic financial statements of Riverside Community College District (the District) and its discretely presented component unit for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 26, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

As discussed in Note 16 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding formula of Riverside Community College District.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance and Other Matters

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

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

Vavrinek, Trine, Day & Co., LLP

Riverside, California
November 26, 2012

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Riverside Community College District
Riverside, California

Compliance

We have audited Riverside Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Riverside Community College District's major Federal programs for the year ended June 30, 2012. Riverside Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Riverside Community College District's management. Our responsibility is to express an opinion on Riverside Community College District's compliance based on our audit.

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

In our opinion, Riverside Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

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Internal Control Over Compliance

Management of Riverside Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Riverside Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Riverside Community College District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as previously defined. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vavrinek, Trine, Day & Co., LLP.

Riverside, California
November 26, 2012

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

VALUE THE DIFFERENCE

REPORT ON STATE COMPLIANCE

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the basic financial statements of Riverside Community College District (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 26, 2012.

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

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Riverside Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Riverside Community College District's compliance with the State laws and regulations in accordance with Section 400 of the Chancellor's Office *California Community Colleges Contracted District Audit Manual (CDAM)* issued in May 2012 applicable to the following items:

Section 421	Salaries of Classroom Instructors: 50 Percent Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	California Work Opportunity and Responsibility to Kids (CalWORKS)
Section 435	Open Enrollment
Section 437	Student Fee – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fees
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 476	Curriculum and Instruction
Section 479	To Be Arranged (TBA) Hours

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Based on our audit, we found that for the items tested, the Riverside Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs as item 2012-2. Our audit does not provide a legal determination on Riverside Community College District's compliance with the State laws and regulations referred to above.

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

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

Vavrinek, Trine, Day & Co., LLP

Riverside, California
November 26, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

CFDA Numbers	Name of Federal Programs or Clusters
17.275 (ARRA)	ARRA - Southern California Logistics Technology Collaborative
47.076	National Science Foundation
59.037	Tri-Tech Small Business Development Center and Jobs Act
84.031, 84.031S, and 84.031C	Higher Education - Institutional Aid
84.007, 84.033, 84.063, 84.268, and 93.925	Student Financial Assistance Cluster
93.359	Nurse Education, Practice, and Retention
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	$ 331,718
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

The following finding represents significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

2012-1 SUBRECIPIENT MONITORING

Federal Program Affected

National Science Foundation, National Center of Excellence for Logistics and Supply Chain Technology (CFDA #47.076) Award Number: DUE-1104176

Criteria or Specific Requirement

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

> *A pass-through entity is responsible for: Award Identification - At the time of subaward, identifying to the subrecipient the Federal award information, which include CFDA title and number, award name and number, name of the Federal awarding agency, and applicable compliance requirements.*

Condition

In our sample of subrecipient contracts, we noted two contracts that did not identify the CFDA title or number to the subawardee.

Questioned Costs

No questioned costs. See Context.

Context

We noted two of the subawards did not meet the minimum contents as required by OMB Circular A-133. The required elements were not included in all of the subawards reviewed for this program.

Effect

Subrecipients could be incorrectly reporting expenditures on the Schedule of Expenditures of Federal Awards and/or not complying with applicable compliance requirements.

Cause

The District has not implemented procedures to ensure the compliance with Federal requirements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Recommendation

We recommend the District strengthen control procedures over its subaward contracts to ensure award information has been properly identified to the subrecipient which includes the CFDA title and number.

Management's Response and Corrective Action Plan

The Catalog of Federal Domestic Assistance (CFDA) program numbers was missing from the contract cover page on these subcontract awards due to an oversight. However, it should be noted that the language in the actual contract referenced the correct awarding agency (National Science Foundation), the grant award number, and requires the subrecipient's compliance with all pertinent Federal circulars, NSF's general grant conditions (GC-1), and other federally required assurances. Management will enhance the contract review and training processes to prevent this error from reoccurring in the future.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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

2012-2 CARE ADVISORY COMMITTEE MEETING

Criteria or Specific Requirement

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

Condition

Required CARE advisory committee meetings at Moreno Valley College were held only one time during the year. The CARE Program guidelines note the advisory committee is to meet at least twice during each academic year.

Questioned Costs

None.

Recommendation

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

Management's Response and Corrective Action Plan

CARE Program director concurs with the above recommendation and has scheduled two meetings: December 6, 2012 and March 25, 2013 for the fiscal year 2013 academic year. Confusion existed between the EOPS program regulations where one meeting a year is required versus the CARE Program regulations which require two meetings a year. The Program Director will ensure that two meeting are held each academic year.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

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.

FEDERAL AWARD FINDINGS

2011-1 Finding - Reporting

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

Criteria or Specific Requirement

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

Condition

In our sample of quarterly Year-to-Date Expenditure and Progress Reports submitted to the California Community College Chancellor's Office, we noted that one quarterly report for the Allied Health Program, Contract #09-127-01 was not submitted within the specified time frame as noted in the Program-Specific Legal Terms and Conditions.

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

Isolated Instance or Systemic

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

Effect

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Recommendation

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

Current Status

As of September 2011, the District no longer receives WIA funding from Riverside County. This finding is not applicable for 2012.

2011-2 Finding - Compensation for Personnel Services

Programs Affected: Southern California Logistics Tech Collaborative and Title V: Hispanics Serving Institutions (HSI)
CFDA #: 17.275, 84.031
Fiscal Year: 2010-2011
Compliance Requirement: Allowable Cost/Cost Principles
Questioned Costs: $17,575 related to CFDA #84.031

Criteria

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

Condition

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Questioned Costs

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

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

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

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

Isolated Instance or Systemic

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

Effect

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

Recommendation

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

Current Status

Implemented.

2011-3 Finding - Subrecipient Monitoring

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

Programs Affected

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Criteria or Specific Requirement

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

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

Condition

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

Isolated Instance or a Systemic

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

Effect

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

Recommendation

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

Current Status

Implemented.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

STATE AWARD FINDINGS

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

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

Criteria or Specific Requirement

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

Condition

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

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

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

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

Questioned FTES

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

Effect

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

Recommendation

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Current Status

Implemented.

2011-5 Finding - Instructional Material Fees

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

Criteria or Specific Requirement

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

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

Condition

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

Questioned Costs

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

Isolated Instance or Systemic

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Effect

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

Recommendation

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

Current Status

Implemented.

2011-6 Finding - CARE Advisory Committee Meeting

Programs Affected: CARE
Fiscal Year: 2010-2011

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

None.

Isolated Instance or Systemic

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

Effect

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
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Recommendation

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

Current Status

Not implemented. See current year finding 2012-2.

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

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

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

None. The District is over the funded FTES.

Isolated Instance or Systemic

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

Effect

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

Recommendation

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Current Status

Implemented.

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

VALUE THE DIFFERENCE

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

We have audited the basic financial statements of Riverside Community College District (the District) for the year ended June 30, 2012, and have issued our report thereon dated November 26, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

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

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

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

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

Planned Scope and Timing of the Audit

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year.

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the cost of capital assets net of accumulated depreciation. Depreciation is the recognition of the use of the capital assets over time. Conditions may exist that result in assets having a longer or shorter useful life than is reflected within these statements. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole. This information is disclosed in Note 5 to the financial statements.

Additionally, the estimate of the future costs of postemployment benefits provided to retirees is based upon current information about the District's employees, benefit plans, and health care rates. These factors are considered by the actuary in determining both the estimated liability and the current year required contribution to the plan. Note 11 to the financial statements provides additional information about the actuarial methods and assumptions, and the Required Supplementary Information provides the schedule of progress toward funding this liability.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 26, 2012.

Management Consultations With Other Independent Accountants

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

To the Board of Trustees
Riverside Community College District
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Other Audit Findings or Issues

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

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

Vavrinek, Trine, Day & Co., LLP.

Riverside, California
November 26, 2012