



RIVERSIDE COMMUNITY  
COLLEGE DISTRICT

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2017**

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2017

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Riverside Community College District  
Riverside, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Riverside Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2016-2017 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 12, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 63, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 64, and the Schedule of District Contributions on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinich, Trine, Day & Co., LLP

Riverside, California  
November 27, 2017

***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, 2017. The report consists of three basic financial statements: the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

***FINANCIAL HIGHLIGHTS***

- The District's primary funding source is from apportionment received from the State of California. The basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2016-2017 fiscal year, total reported resident FTES were 29,652 as compared to 28,682 in the 2015-2016 fiscal year. The District continues to have no unfunded credit FTES for fiscal year 2016-2017.
- Several construction and modernization projects at the District's three colleges resulted in building and site improvements totaling \$1,488,348 in the 2016-2017 fiscal year. The completed projects, listed below, are primarily funded through Physical Plant and Instructional Support as well as Proposition 39: Clean Energy allocations.

Campus-Wide ADA/Path of Travel Repairs – Riverside City College

Tequesquite Channel Wash Repair – Riverside City College

Air Conditioning Unit Replacement – Norco College

Third Street Light Fixtures Replacement – Norco College

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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- Employee salaries increased by 5.04 percent or \$6.3 million from the 2015-2016 fiscal year and employee benefits increased by 5.78 percent or \$2.2 million. The increase in salaries is primarily due to a contractual salary increase of 2.0 percent for all permanent employees, a contractual salary increase of 2.5 percent for part-time faculty, scheduled salary step increases, employee reclassifications, and an increase in the number of positions. The increase in benefit costs is primarily due to increases in health and welfare benefit costs, an increase of 1.85 percent in CalSTRS and 2.04 percent CalPERS employer contributions, and fixed charges associated with the increased number of positions discussed above.
- During the 2016-2017 fiscal year, the District provided over \$76.6 million in financial aid to students, representing an increase of 0.3 percent over the \$76.4 million in fiscal year 2015-2016. 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)	\$ 42,386,073
Federal Supplement Education Opportunity Grant (FSEOG)	1,095,480
Federal Direct Student Loans (Direct Loans)	3,700,996
Federal Work Study Program (FWS)	1,031,242
State of California Cal Grants (B & C)	4,842,954
State of California Full Time Student Success Grant	1,253,130
California Community College Board of Governor's Fee Wavier	22,285,090
Total Financial Aid Provided to Students	<u>\$ 76,594,965</u>



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

***THE DISTRICT AS A WHOLE***

**Net Position**

**Table 1**

	2017	2016	Change
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 124,319,728	\$ 101,654,489	\$ 22,665,239
Accounts receivable (net)	12,075,155	12,470,986	(395,831)
Other current assets	194,466	158,866	35,600
Total Current Assets	<u>136,589,349</u>	<u>114,284,341</u>	<u>22,305,008</u>
Capital assets (net)	<u>440,959,728</u>	<u>452,350,894</u>	<u>(11,391,166)</u>
Total Assets	<u>577,549,077</u>	<u>566,635,235</u>	<u>10,913,842</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	9,479,658	10,274,078	(794,420)
Deferred outflows of resources related to pensions	<u>40,579,912</u>	<u>29,947,690</u>	<u>10,632,222</u>
Total Deferred Outflows of Resources	<u>50,059,570</u>	<u>40,221,768</u>	<u>9,837,802</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 627,608,647</u>	<u>\$ 606,857,003</u>	<u>\$ 20,751,644</u>
Current Liabilities			
Accounts payable and accrued liabilities	\$ 55,136,096	\$ 43,290,705	\$ 11,845,391
Current portion of long-term obligations	<u>7,673,413</u>	<u>12,268,457</u>	<u>(4,595,044)</u>
Total Current Liabilities	<u>62,809,509</u>	<u>55,559,162</u>	<u>7,250,347</u>
Long-Term Obligations	<u>463,105,917</u>	<u>427,536,743</u>	<u>35,569,174</u>
Total Liabilities	<u>525,915,426</u>	<u>483,095,905</u>	<u>42,819,521</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	<u>10,299,894</u>	<u>35,624,774</u>	<u>(25,324,880)</u>
<b>NET POSITION</b>			
Net investment in capital assets	186,569,478	194,304,323	(7,734,845)
Restricted	20,111,913	16,272,093	3,839,820
Unrestricted	<u>(115,288,064)</u>	<u>(122,440,092)</u>	<u>7,152,028</u>
Total Net Position	<u>91,393,327</u>	<u>88,136,324</u>	<u>3,257,003</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 627,608,647</u>	<u>\$ 606,857,003</u>	<u>\$ 20,751,644</u>

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

### Operating Results for the Year

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

**Table 2**

	2017	2016	Change
Operating Revenues (Losses)			
Tuition and fees (net)	\$ 19,689,266	\$ 16,619,154	\$ 3,070,112
Other operating revenues (losses)	30,635	(1,372)	32,007
Total Operating Revenues (Losses)	<u>19,719,901</u>	<u>16,617,782</u>	<u>3,102,119</u>
Operating Expenses			
Salaries and benefits	172,382,755	163,844,797	8,537,958
Supplies and maintenance	48,651,743	49,367,982	(716,239)
Student financial aid	53,298,914	54,314,607	(1,015,693)
Depreciation	16,960,528	16,623,899	336,629
Total Operating Expenses	<u>291,293,940</u>	<u>284,151,285</u>	<u>7,142,655</u>
Loss on Operations	<u>(271,574,039)</u>	<u>(267,533,503)</u>	<u>(4,040,536)</u>
Nonoperating Revenues			
State apportionments	111,781,459	107,436,493	4,344,966
Property taxes	53,128,130	49,315,603	3,812,527
State revenues	9,627,908	21,345,873	(11,717,965)
Federal and State grants and contracts	96,457,126	95,956,872	500,254
Net investment income	807,537	500,150	307,387
Net interest expense	(14,619,076)	(6,974,747)	(7,644,329)
Other nonoperating revenues	16,077,997	15,311,613	766,384
Total Nonoperating Revenue	<u>273,261,081</u>	<u>282,891,857</u>	<u>(9,630,776)</u>
Other Revenues (Losses)			
State capital income	1,356,211	2,167,968	(811,757)
Local capital income	213,750	(92,217)	305,967
Total Other Revenues (Losses)	<u>1,569,961</u>	<u>2,075,751</u>	<u>(505,790)</u>
Net Increase in Net Position	<u>\$ 3,257,003</u>	<u>\$ 17,434,105</u>	<u>\$ (14,177,102)</u>

The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionment, which increased in fiscal year 2016-2017. Property taxes levied and received from property within the District's boundaries increased slightly during the year.

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

During 2016-2017, the District's interest income was \$0.81 million and interest expense was \$14.62 million. Interest income is primarily derived from cash held in the Riverside County Treasury. Interest income has increased approximately \$0.31 million from the 2015-2016 fiscal year due to the increase general obligation bond funds held in the Riverside County Treasury. An increase of \$7.64 million in interest expense for the year is the result of maturing of the District's capital accretion bonds and increased amortization of the deferred charges associated with the issuance of refunding general obligation bonds.

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, 2017:

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 80,492,578	\$ 5,594,339	\$ -	\$ -	\$ 86,086,917
Academic support	20,976,345	8,337,140	-	-	29,313,485
Student services	29,834,285	5,707,786	-	-	35,542,071
Plant operations and maintenance	7,700,421	6,034,241	-	-	13,734,662
Instructional support services	23,830,181	14,858,615	-	-	38,688,796
Community services and economic development	1,938,970	565,033	-	-	2,504,003
Ancillary services and auxiliary operations	7,609,975	3,358,023	-	-	10,967,998
Student aid	-	-	53,298,914	-	53,298,914
Physical property and related acquisitions	-	4,196,566	-	-	4,196,566
Unallocated depreciation	-	-	-	16,960,528	16,960,528
<b>Total</b>	<b>\$ 172,382,755</b>	<b>\$ 48,651,743</b>	<b>\$ 53,298,914</b>	<b>\$ 16,960,528</b>	<b>\$ 291,293,940</b>

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### Changes in Cash Position

Table 4

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$ (239,677,310)	\$ (237,885,127)	\$ (1,792,183)
Noncapital financing activities	271,965,452	287,389,221	(15,423,769)
Capital financing activities	(10,258,004)	(22,848,840)	12,590,836
Investing activities	635,101	382,649	252,452
Net Increase (Decrease) in Cash	<u>22,665,239</u>	<u>27,037,903</u>	<u>(4,372,664)</u>
Cash, Beginning of Year	101,654,489	74,616,586	27,037,903
Cash, End of Year	<u>\$ 124,319,728</u>	<u>\$ 101,654,489</u>	<u>\$ 22,665,239</u>

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

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### **Capital Assets**

At June 30, 2017, the District had \$612.4 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2017, the District's net capital assets were \$441.0 million. Major capital improvement projects are ongoing throughout the District. These projects are primarily funded through Physical Plant and Instructional Support and Proposition 39: Clean Energy revenues, and District General Obligation Bonds. Projects are accounted for within the Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be recorded to the depreciable Buildings and Improvement category.

**Table 5**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Land and construction in progress	\$ 144,558,578	\$ 2,235,297	\$ -	\$ 146,793,875
Buildings and land improvements	416,398,049	1,488,348	-	417,886,397
Furniture and equipment	45,942,266	1,845,717	(51,088)	47,736,895
Subtotal	606,898,893	5,569,362	(51,088)	612,417,167
Accumulated depreciation	(154,547,999)	(16,960,528)	51,088	(171,457,439)
	<u>\$ 452,350,894</u>	<u>\$ (11,391,166)</u>	<u>\$ -</u>	<u>\$ 440,959,728</u>

We present more detailed information about our capital assets in Note 6 to the financial statements.

#### **Obligations**

At the end of the 2016-2017 fiscal year, the District had \$279.4 million in general obligation bonds outstanding, net of premium. These bonds are repaid in annual installments, in accordance with the obligation requirements for each debt issuance, by way of property tax assessments on property within the Riverside Community College District's boundaries.

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

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

#### **Net Pension Liability (NPL)**

At year-end, the District had a net pension liability of \$176.8 million. The District has therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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**Table 6**

	Balance <u>July 1, 2016</u>	Additions	Deletions	Balance <u>June 30, 2017</u>
General obligation bonds	\$ 282,857,034	\$ 2,804,993	\$ (6,244,064)	\$ 279,417,963
Aggregate net pension obligation	137,435,471	39,385,083	-	176,820,554
Other liabilities	19,512,695	3,423,777	(8,395,659)	14,540,813
Total Long-Term Obligations	<u>\$ 439,805,200</u>	<u>\$ 45,613,853</u>	<u>\$ (14,639,723)</u>	<u>\$ 470,779,330</u>
Amount due within one year				<u>\$ 7,673,413</u>

We present more detailed information about our long-term obligations in Note 10 to the financial statements.

### ***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 2016-2017 fiscal year on June 20, 2017.

The District's final revised budget for the unrestricted General Fund anticipated that expenditures would exceed revenues by \$25.43 million. The actual results for the year showed revenues exceeded expenditures by \$6.81 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 49.41 percent of total revenues. The District reported an increase of 970 FTES during fiscal year 2016-2017 resulting from an increase of course offerings. The District's fiscal year 2017-2018 unrestricted general fund adopted budget anticipates revenue increases of \$8.72 million, expenditure increases of \$14.41 million, and a Board-approved contingency of 5.0 percent. The District continues to manage enrollment and operating costs to ensure ongoing financial stability and to achieve reserve levels required by Board policy and the State Chancellor's Office.

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

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

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***BASIC FINANCIAL STATEMENTS***

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT  
JUNE 30, 2017**

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 2,224,530
Investments - unrestricted	59,309,628
Investments - restricted	62,785,570
Accounts receivable	11,045,464
Student accounts receivable, net	1,029,691
Due from fiduciary funds	15,465
Prepaid expenses	148,330
Inventories	30,671
<b>Total Current Assets</b>	<u>136,589,349</u>
<b>Noncurrent Assets</b>	
Nondepreciable capital assets	146,793,875
Depreciable capital assets, net of depreciation	294,165,853
<b>Total Noncurrent Assets</b>	<u>440,959,728</u>
<b>TOTAL ASSETS</b>	<u>577,549,077</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	9,479,658
Deferred outflows of resources related to pensions	40,579,912
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>50,059,570</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	11,149,310
Accrued interest payable	4,918,620
Due to fiduciary funds	89,945
Unearned revenue	35,403,592
Claims liability	3,574,629
Compensated absences payable - current portion	1,458,413
Bonds payable - current portion	6,215,000
<b>Total Current Liabilities</b>	<u>62,809,509</u>
<b>Noncurrent Liabilities</b>	
Compensated absences and load banking payable - noncurrent portion	2,315,328
Bonds payable - noncurrent portion	262,873,626
Bond premium	10,329,337
Other postemployment benefits	10,767,072
Aggregate net pension obligation	176,820,554
<b>Total Noncurrent Liabilities</b>	<u>463,105,917</u>
<b>TOTAL LIABILITIES</b>	<u>525,915,426</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	10,299,894
<b>NET POSITION</b>	
Net investment in capital assets	186,569,478
Restricted for:	
Debt service	10,765,474
Capital projects	1,752,243
Educational programs	7,594,196
Unrestricted	(115,288,064)
<b>TOTAL NET POSITION</b>	<u>\$ 91,393,327</u>

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



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

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**OPERATING REVENUES**

Student Tuition and Fees	\$ 41,974,356
Less: Scholarship discount and allowance	(22,285,090)
Net tuition and fees	<u>19,689,266</u>
Other Operating Revenues	<u>30,635</u>
<b>TOTAL OPERATING REVENUES</b>	<u>19,719,901</u>

**OPERATING EXPENSES**

Salaries	132,198,832
Employee benefits	40,183,923
Supplies, materials, and other operating expenses and services	44,086,881
Student financial aid	53,298,914
Equipment, maintenance, and repairs	4,564,862
Depreciation	<u>16,960,528</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>291,293,940</u>

**OPERATING LOSS**

(271,574,039)

**NONOPERATING REVENUES (EXPENSES)**

State apportionments, noncapital	111,781,459
Federal grants	59,708,037
State grants	36,749,089
Local property taxes levied for general purposes	37,207,839
Local property taxes levied for capital debt	15,920,291
State taxes and other revenues	9,627,908
Investment income	745,933
Interest expense on capital related debt	(14,619,076)
Investment income on capital related debt, net	61,604
Other nonoperating revenue	<u>16,077,997</u>

**TOTAL NONOPERATING REVENUES  
(EXPENSES)**

273,261,081

**INCOME BEFORE OTHER REVENUES**

1,687,042

**OTHER REVENUES**

State revenues, capital	1,356,211
Local revenues, capital	<u>213,750</u>
<b>TOTAL OTHER REVENUES</b>	<u>1,569,961</u>

**CHANGE IN NET POSITION**

3,257,003

**NET POSITION, BEGINNING OF YEAR**

88,136,324

**NET POSITION, END OF YEAR**

\$ 91,393,327

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2017

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### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 18,774,464
Payments to vendors for supplies and services	(31,435,827)
Payments to or on behalf of employees	(173,747,668)
Payments to students for Federal direct student aid	(48,148,685)
Payments to students for State direct student aid	(4,692,767)
Payments to students for Local direct student aid	(457,462)
Other operating receipts	30,635
<b>Net Cash Flows From Operating Activities</b>	<b><u>(239,677,310)</u></b>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	111,780,727
Noncapital grants and contracts	96,457,126
Property taxes - non-debt related	37,207,839
State taxes and other apportionments	11,777,660
Other nonoperating	14,742,100
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b><u>271,965,452</u></b>

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(10,529,201)
State revenue, capital projects	1,356,211
Property taxes - related to capital debt	15,920,291
Principal paid on capital debt	(6,260,996)
Interest paid on capital debt	(11,814,083)
Interest received on capital related debt	61,604
Deferred charges on refunding	794,420
Other expenses for capital financing activities, net	213,750
<b>Net Cash Flows From Capital Financing Activities</b>	<b><u>(10,258,004)</u></b>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	<u>635,101</u>
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### NET CHANGE IN CASH AND CASH EQUIVALENTS

22,665,239

### CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

101,654,489

### CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 124,319,728

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued  
FOR THE YEAR ENDED JUNE 30, 2017**

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

Operating Loss	<u>\$ (271,574,039)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows	
From Operating Activities:	
Depreciation	16,960,528
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Accounts receivable	(302,515)
Inventories	4,188
Prepaid expenses	(44,465)
Accounts payable and other accrued liabilities	(339,438)
Unearned revenue	17,145,400
Compensated absences and load banking	389,145
Retirement Incentive Plans	(5,413,277)
Other postemployment benefits (OPEB)	69,182
Deferred outflows of resources related to pensions	(10,632,222)
Aggregate net pension obligation	39,385,083
Deferred inflows of resources related to pensions	<u>(25,324,880)</u>
Total Adjustments	<u>31,896,729</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (239,677,310)</u></u>

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

Cash in banks	\$ 2,224,530
Unrestricted cash in county treasury	59,309,628
Restricted cash in county treasury	62,785,570
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 124,319,728</u></u>

**NON CASH TRANSACTIONS**

On behalf payments for benefits	\$ 6,092,247
Board of Governors fee waivers	22,285,090
	<u><u>\$ 28,377,337</u></u>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

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	<u>Trust</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,354,559
Accounts receivable	474
Due from primary government	89,945
Prepaid expenses	2,170
<b>Total Assets</b>	<u>2,447,148</u>
 <b>LIABILITIES</b>	
Accounts payable	62,177
Due to primary government	15,465
Due to student groups	1,225,250
<b>Total Liabilities</b>	<u>1,302,892</u>
 <b>NET POSITION</b>	
Unreserved	1,144,256
<b>Total Net Position</b>	<u>\$ 1,144,256</u>

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

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	<u>Trust</u>
<b>ADDITIONS</b>	
Local revenues	<u>\$ 959,646</u>
<b>DEDUCTIONS</b>	
Services and operating expenditures	<u>1,068,392</u>
<b>Change in Net Position</b>	(108,746)
<b>Net Position - Beginning</b>	<u>1,253,002</u>
<b>Net Position - Ending</b>	<u><u>\$ 1,144,256</u></u>

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

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***NOTES TO FINANCIAL STATEMENTS***

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# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### **NOTE 1 - ORGANIZATION**

The Riverside Community College District (the District) was established in 1916 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District operates three colleges located within western Riverside County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

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

#### **Financial Reporting Entity**

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

- **Riverside Community College District Development Corporation**

The Riverside Community College District Development Corporation (the Corporation) is a legally separate organization and a component unit of the District. The Corporation was formed to provide financing and acquire assets for the District. A majority of the Corporation's Board of Directors either serves by reason of their position in the District or is appointed by the District's Board of Trustees. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Within the other supplementary information section of the report, the activity is included as the Riverside Community College District Development Corporation Fund as a Special Revenue Fund of the District. Individually prepared financial statements are not prepared for the Corporation. Condensed component unit information for the Corporation, the District's blended component unit, for the year ended June 30, 2017, is as follows:

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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*Condensed Statement of Net Position*

**ASSETS**

Cash and cash equivalents \$ 16,182

**NET POSITION**

Restricted for:  
Capital projects \$ 16,182

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

**NONOPERATING REVENUES**

Interest income \$ 8

**CHANGE IN NET POSITION**

8

**NET POSITION, BEGINNING OF YEAR**

16,174

**NET POSITION, END OF YEAR**

\$ 16,182

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

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



# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

### **Cash and Cash Equivalents**

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

### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### **Restricted Assets**

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

### **Accounts Receivable**

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$230,975 for the year ended June 30, 2017.

### **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.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

### **Deferred Charge on Refunding**

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

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

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

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

### **Pensions**

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

### **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 current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

### Unearned Revenue

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

### Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, claims payable, capital lease obligations, retirement incentive plans, OPEB obligations, and aggregate net pension obligations with maturities greater than one year.

### Net Position

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

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

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

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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 \$20,111,913 of restricted net position.

### **State Apportionments**

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

### **Property Taxes**

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

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

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

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

### **Federal Financial Assistance Programs**

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Estimates

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

### Interfund Activity

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

### Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### New Accounting Pronouncements

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

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

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

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



# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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

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

### ***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.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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**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.

### General Authorizations

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

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

### Authorized Under Debt Agreements

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2017, consist of the following:

	Primary Government
Cash on hand and in banks	\$ 2,174,530
Cash in revolving Investments	50,000 122,095,198
Total Deposits and Investments	<u>\$ 124,319,728</u>
	Fiduciary Funds
Cash on hand and in banks	<u>\$ 2,354,559</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool.

**Specific Identification**

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

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Maturity Date*</u>
Riverside County Investment Pool	<u>\$ 121,842,598</u>	1.13

\*Weighted average of maturity in years.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Riverside County Investment Pool are rated AAA/V1 by Fitch Ratings Ltd. as of June 30, 2017.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District and fiduciary funds had bank balances of \$5,003,934 and \$2,428,505, respectively, totaling \$7,432,439 of which \$6,473,722 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.

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

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

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

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

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

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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The District's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Riverside County Investment Pool	<u>\$ 121,842,598</u>	<u>\$ 121,842,598</u>

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

**NOTE 5 - ACCOUNTS RECEIVABLE**

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

The accounts receivable are as follows:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 3,614,564
State Government	
Categorical aid	1,671,639
Lottery	1,231,651
Other State sources	483,106
Local Sources	
Interest	253,658
Property taxes	1,336,829
Riverside Community College District Foundation	65,080
Other local sources	2,388,937
Total	<u>\$ 11,045,464</u>
Student receivables	\$ 1,260,666
Less allowance for bad debt	(230,975)
Student receivables, net	<u>\$ 1,029,691</u>
Total Receivables, Net	<u>\$ 12,075,155</u>
	<u>Fiduciary Funds</u>
Other local	<u>\$ 474</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 32,502,697	\$ -	\$ -	\$ 32,502,697
Construction in progress	112,055,881	2,235,297	-	114,291,178
Total Capital Assets Not Being Depreciated	<u>144,558,578</u>	<u>2,235,297</u>	<u>-</u>	<u>146,793,875</u>
Capital Assets Being Depreciated				
Land improvements	13,708,431	750,932	-	14,459,363
Buildings and improvements	402,689,618	737,416	-	403,427,034
Furniture and equipment	45,942,266	1,845,717	51,088	47,736,895
Total Capital Assets Being Depreciated	<u>462,340,315</u>	<u>3,334,065</u>	<u>51,088</u>	<u>465,623,292</u>
Total Capital Assets	<u>606,898,893</u>	<u>5,569,362</u>	<u>51,088</u>	<u>612,417,167</u>
Less Accumulated Depreciation				
Land improvements	10,435,571	914,818	-	11,350,389
Buildings and improvements	105,228,644	13,704,337	-	118,932,981
Furniture and equipment	38,883,784	2,341,373	51,088	41,174,069
Total Accumulated Depreciation	<u>154,547,999</u>	<u>16,960,528</u>	<u>51,088</u>	<u>171,457,439</u>
Net Capital Assets	<u>\$ 452,350,894</u>	<u>\$ (11,391,166)</u>	<u>\$ -</u>	<u>\$ 440,959,728</u>

Depreciation expense for the year was \$16,960,528.

Interest expense on capital related debt for the year ended June 30, 2017, was \$14,642,651. Of this amount, \$23,575 was capitalized.

The District was the beneficiary of an extensive bequest of Mine Okubo's estate, a Japanese-American artist, inclusive of paintings, works of art, reference materials, photographs, books, writings, letters, and printed material. The District took possession of the materials bequeathed from the estate of Ms. Okubo as of June 30, 2009. The District has included the collection and materials as priceless in the District's capital assets (non-depreciable assets). During the course of the next several years and as the District learns the collection's long-term historical value, the values will be added to the District's capital assets. As of June 30, 2017, the District has not recorded a value for the collection in the financial statements.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### *NOTE 7 - ACCOUNTS PAYABLE*

Accounts payable for the District consisted of the following:

	<u>Primary Government</u>
Accrued payroll and benefits	\$ 1,148,333
Apportionment	1,183,596
Federal categorical programs	301,430
State categorical programs	347,012
Construction payables	948,221
Vendor payables	7,220,718
Total	<u>\$ 11,149,310</u>
	<u>Fiduciary Funds</u>
Vendor payables	<u>\$ 62,177</u>

### *NOTE 8 - UNEARNED REVENUE*

Unearned revenue consisted of the following:

	<u>Primary Government</u>
Federal financial assistance	\$ 40,159
State categorical aid	23,714,322
Scheduled maintenance	4,340,446
Prop 39 Clean Energy	953,624
Other State aid	905,896
Enrollment fees	1,360,675
Health and liability self-insurance	2,177,051
Other local	1,911,419
Total	<u>\$ 35,403,592</u>

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### *NOTE 9 - INTERFUND TRANSACTIONS*

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds 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, 2017, the amounts owed between the primary government and the fiduciary funds were \$89,945 and \$15,465, respectively.

#### **Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2017 fiscal year, there were no transfers made between the primary government and the fiduciary funds.



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 - LONG-TERM OBLIGATIONS**

**Long-Term Obligations Summary**

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
<b>Bonds Payable</b>					
General obligation bonds, Series 2010 D/D-1	\$ 113,031,386	\$ 761,445	\$ 570,000	\$ 113,222,831	\$ 765,000
Unamortized debt premium	1,401,071	-	58,176	1,342,895	-
General obligation bonds, Refunding Bonds 2014, Series A and B	71,155,000	-	3,780,000	67,375,000	4,085,000
Unamortized debt premium	4,131,221	-	372,742	3,758,479	-
General obligation bonds, Series 2015 E	44,582,247	2,043,548	1,020,000	45,605,795	1,265,000
Unamortized debt premium	172,008	-	7,451	164,557	-
Refunding Bonds 2015	42,985,000	-	100,000	42,885,000	100,000
Unamortized debt premium	5,399,101	-	335,695	5,063,406	-
<b>Total Bonds Payable</b>	<b>282,857,034</b>	<b>2,804,993</b>	<b>6,244,064</b>	<b>279,417,963</b>	<b>6,215,000</b>
<b>Other Liabilities</b>					
Compensated absences	2,783,178	191,496	-	2,974,674	1,458,413
Capital leases	16,932	-	16,932	-	-
Retirement Incentive Plans	5,413,277	-	5,413,277	-	-
Load banking	601,418	197,649	-	799,067	-
Other postemployment benefits (OPEB)	10,697,890	3,034,632	2,965,450	10,767,072	-
Aggregate net pension obligation	137,435,471	39,385,083	-	176,820,554	-
<b>Total Other Liabilities</b>	<b>156,948,166</b>	<b>42,808,860</b>	<b>8,395,659</b>	<b>191,361,367</b>	<b>1,458,413</b>
<b>Total Long-Term Obligations</b>	<b>\$ 439,805,200</b>	<b>\$ 45,613,853</b>	<b>\$ 14,639,723</b>	<b>\$ 470,779,330</b>	<b>\$ 7,673,413</b>

**Description of Debt**

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Bonded Debt

#### 2010 General Obligation Bonds

During December 2010, the District issued the 2010 General Obligation Bonds in the amount of \$109,999,278. The bonds mature beginning on August 1, 2015 through August 1, 2040, with interest yields ranging from 2.36 to 5.53 percent. The bonds issued included \$102,300,000 of current interest Build America Bonds (Series 2010D-1 Bonds) and \$7,699,278 of capital appreciation tax-exempt bonds (Series 2010D Bonds), with the value of the capital appreciation bonds maturing to a principal balance of \$15,920,000. At June 30, 2017, the principal balance outstanding was \$113,222,831 and unamortized premium cost of \$1,342,895. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The District has designated the Series 2010D-1 Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the Stimulus Act), the interest on which is not excluded from gross income for Federal income tax purposes, but is exempt from State of California personal income taxes. The District expects to receive a cash subsidy from the United States Treasury equal to 35 percent of the interest payable on such Series 2010D-1 Bonds. The District is obligated to make all payments of principal and interest on the Series 2010D-1 Bonds from the sources described in the official statement whether or not it receives cash subsidy payments pursuant to the Stimulus Act. Effective March 1, 2013, the subsidy percentage was reduced by 8.7 percent, to 26.3 percent as a result of sequestration by the Federal government. The sequestration percentage was again adjusted to 7.2 percent as of October 1, 2013, resulting in a semi-annual subsidy of \$1,168,480. As of June 30, 2017, the sequestration percentage remains at 7.2 percent.

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

#### 2014 General Obligation Refunding Bonds

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

Series A tax-exempt bonds have a final maturity to occur on August 1, 2027, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$34,006,704 (representing the principal amount of \$29,130,000 plus premium on issuance of \$4,876,704) from the issuance were used to advance refund a portion of the District's outstanding 2004 General Obligation Bonds, Series 2004A, advance refund a portion of the District's 2005 General Obligation Refunding Bonds, advance refund a portion of the 2004 General Obligation Bonds, Series 2007C, and pay the costs associated with the issuance of the refunding bonds. At June 30, 2017, the principal balance outstanding was \$28,260,000. Unamortized premium received on issuance of the bonds amounted to \$3,758,479 as of June 30, 2017.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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Series B federally taxable bonds have a final maturity to occur on August 1, 2024, with interest rates from 0.40 to 3.61 percent. The proceeds of \$43,960,000 from issuance were used to advance refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds, and pay the costs associated with the issuance of the federally taxable bonds. At June 30, 2017, the principle balance outstanding was \$39,115,000.

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

During July 2015, the District issued the 2015 General Obligation Bonds, Series E in the amount of \$45,004,145. The bonds mature beginning on August 1, 2015 through August 1, 2039, with interest yields ranging from 3.81 to 5.05 percent. At June 30, 2017, the principal outstanding was \$45,605,795 and unamortized premium cost of \$164,557. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

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

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

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

The bonds have a final maturity to occur on August 1, 2032, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$49,654,797 (representing the principal amount of \$43,920,000 plus premium on issuance of \$5,734,797) from the issuance were used to advance refund a portion of the District's outstanding 2004 General Obligation Bonds, Series 2007C, advance refund the remaining balance of the District's 2005 General Obligation Refunding Bonds and pay the costs associated with the issuance of the refunding bonds. At June 30, 2017, the principal balance outstanding was \$42,885,000. Unamortized premium received on issuance of the bonds amounted to \$5,063,406 as of June 30, 2017.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds Outstanding June 30, 2017
				Outstanding July 1, 2016	Issued	Addition	Redeemed	
2010	2041	2.36%-5.53%	\$ 109,999,278	\$ 113,031,386	\$ -	\$ 761,445	\$ 570,000	\$ 113,222,831
2014	2028	0.40%-5.00%	73,090,000	71,155,000	-	-	3,780,000	67,375,000
2015	2040	3.81%-5.05%	45,004,145	44,582,247	-	2,043,548	1,020,000	45,605,795
2015	2033	2.00%-5.00%	43,920,000	42,985,000	-	-	100,000	42,885,000
				<u>\$ 271,753,633</u>	<u>-</u>	<u>\$ 2,804,993</u>	<u>\$ 5,470,000</u>	<u>\$ 269,088,626</u>

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2018	\$ 721,691	\$ 43,309	\$ 7,164,193	\$ 7,929,193
2019	814,421	155,579	7,164,193	8,134,193
2020	878,019	296,981	7,164,193	8,339,193
2021	974,619	385,381	7,164,193	8,524,193
2022	1,264,584	395,416	7,164,193	8,824,193
2023-2027	6,269,497	2,875,503	35,820,965	44,965,965
2028-2032	760,000	-	35,794,475	36,554,475
2033-2037	46,980,000	-	28,001,593	74,981,593
2038-2041	54,560,000	-	8,029,917	62,589,917
Total	<u>\$ 113,222,831</u>	<u>\$ 4,152,169</u>	<u>\$ 143,467,915</u>	<u>\$ 260,842,915</u>

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

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 4,085,000	\$ 2,478,070	\$ 6,563,070
2019	4,400,000	2,396,286	6,796,286
2020	4,770,000	2,284,479	7,054,479
2021	5,175,000	2,141,647	7,316,647
2022	5,635,000	1,966,891	7,601,891
2023-2027	34,855,000	6,175,180	41,030,180
2028	8,455,000	209,375	8,664,375
Total	<u>\$ 67,375,000</u>	<u>\$ 17,651,928</u>	<u>\$ 85,026,928</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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

<u>Fiscal Year</u>	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2018	\$ 1,265,000	\$ -	\$ 34,787	\$ 1,299,787
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023-2027	1,750,219	754,781	-	2,505,000
2028-2032	8,377,237	6,082,763	-	14,460,000
2033-2037	21,700,691	28,799,309	-	50,500,000
2038-2040	12,512,648	23,847,352	-	36,360,000
Total	<u>\$ 45,605,795</u>	<u>\$ 59,484,205</u>	<u>\$ 34,787</u>	<u>\$ 105,124,787</u>

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

<u>Fiscal Year</u>	Principal	Interest to Maturity	Total
2018	\$ 100,000	\$ 2,058,975	\$ 2,158,975
2019	100,000	2,056,975	2,156,975
2020	100,000	2,054,975	2,154,975
2021	100,000	2,052,975	2,152,975
2022	100,000	2,050,475	2,150,475
2023-2027	500,000	10,207,375	10,707,375
2028-2032	41,500,000	6,313,875	47,813,875
2033	385,000	6,738	391,738
Total	<u>\$ 42,885,000</u>	<u>\$ 26,802,363</u>	<u>\$ 69,687,363</u>

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Capital Leases

The District has utilized capital leases purchase agreements to primarily purchase equipment. As of June 30, 2017, these lease agreements have been paid in full.

### Retirement Incentive Plans

The District has entered into various agreements with the Public Agency Retirement System (PARS) 403(b) Supplementary Retirement Plan, CalSTRS, and CalPERS to provide retirement incentives for qualifying employees. The incentives ranged from additional years of service credit to five annual payments equaling 80 percent of the employees' final pay. As of June 30, 2017, the outstanding balance has been paid in full.

### Compensated Absences

At June 30, 2017, the liability for compensated absences was \$2,974,674.

### Load Banking

At June 30, 2017, the liability for load banking was \$799,067.

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$3,147,095, and net contributions made by the District during the year were \$2,965,450. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$534,895 and \$(647,358), respectively, which resulted in an increase to the net OPEB obligation of \$69,182. As of June 30, 2017, the net OPEB obligation was \$10,767,072. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to \$176,820,554. See Note 13 for additional information.

### ***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 71 retirees and beneficiaries currently receiving benefits and 907 active Plan members.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**Contribution Information**

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed \$2,965,450 to the Plan, \$2,510,972 of which was used for current premiums and \$454,478 was the net contributions into the District's irrevocable trust with CalPERS.

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 3,147,095
Interest on net OPEB obligation	534,895
Adjustment to annual required contribution	(647,358)
Annual OPEB cost (expense)	<u>3,034,632</u>
Net contributions made	<u>(2,965,450)</u>
Increase in net OPEB obligation	69,182
Net OPEB obligation, beginning of year	<u>10,697,890</u>
Net OPEB obligation, end of year	<u><u>\$ 10,767,072</u></u>

**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 Net Contribution	Percentage Contributed	Net OPEB Obligation
2015	\$ 2,935,893	\$ 1,203,398	41%	\$ 9,577,393
2016	3,046,411	1,925,914	63%	10,697,890
2017	3,034,632	2,965,450	98%	10,767,072

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Funding Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	\$ 25,347,991
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 25,347,991</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll	<u>N/A</u>
UAAL as Percentage of Covered Payroll	<u>N/A</u>

The above noted actuarial accrued liability was based on the July 1, 2015, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation, the unit credit cost method was used. Under this method, there are no liabilities dependent on salary, therefore, no salary increase rate is assumed. The actuarial assumptions include healthcare cost trend rate of seven percent trending down to an ultimate five percent increase. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2017, was 28 years. The actuarial value of assets was not determined in this actuarial valuation. As of June 30, 2017, the District finances its OPEB contributions using a pay-as-you-go method as well as payroll subsidies deposited into an irrevocable trust with CalPERS. The trust was established in March 2016 and therefore was not a component of the July 1, 2015 actuarial valuation. At June 30, 2017, the irrevocable trust with CalPERS held assets in the amount of \$813,348.



# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### NOTE 12 - RISK MANAGEMENT

#### Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts and liability; theft of, damage to and destruction of assets; errors and omissions and injuries to employees. The District obtains coverage for these risks as a member of various joint powers authorities or through the purchase of coverage from a risk retention group. The District has coverage up to \$25,000,000 for liability and tort risks. This coverage is subject to a \$250,000 self-insured retention. The District carries replacement coverage on its buildings and furniture and equipment with limits of \$600,000,000 (total pool value) and exposures of \$332,514,000 with a \$50,000 self-insurance retention. A property and equipment audit performed by the Joint Powers Authority is used to identify the aforementioned exposures. However, claims against the property coverage would use current replacement value to respond to a covered event. Employee health benefits are covered by the employees enrolling in either one of two health maintenance organizations or in the District's self-insured health plan. The District's self-insured limit for the self-insured plan is \$100,000, and it purchases insurance coverage for the excess claims. The District purchases coverage for the dental benefits from a joint powers authority.

#### Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2017, the District contracted with the California Schools Risk Management (CSRМ) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year 2016-2017, the District participated in the California Schools Risk Management Fund Joint Powers Authority (JPA), an insurance purchasing pool. The District is self-insured for the first \$500,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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, 2015 to June 30, 2017:

	Self- Insurance
Liability Balance, July 1, 2015	\$ 3,366,296
Claims and changes in estimates	7,672,710
Claims payments	<u>(7,668,124)</u>
Liability Balance, June 30, 2016	3,370,882
Claims and changes in estimates	8,878,989
Claims payments	<u>(8,675,242)</u>
Liability Balance, June 30, 2017	<u>\$ 3,574,629</u>
Assets available to pay claims at June 30, 2017	<u><u>\$ 8,976,473</u></u>

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

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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**Employee Medical Benefits**

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

- Medical - The employee has a choice of Kaiser Permanente, Health Net, or the RCCD Self-Insured PPO Health Plan. The employee may elect to change carriers once per year during open enrollment. Normally, such election shall be effective October 1 of each year.
- 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.

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

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

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 112,090,120	\$ 22,177,188	\$ 7,167,242	\$ 10,791,085
CalPERS	64,730,434	18,402,724	3,132,652	7,449,667
Total	\$ 176,820,554	\$ 40,579,912	\$ 10,299,894	\$ 18,240,752

The details of each plan are as follows:

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

**Plan Description**

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

### Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**Contributions**

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the District's total contributions were \$9,238,158.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 112,090,120
State's proportionate share of net pension liability associated with the District	63,810,906
Total	<u>\$ 175,901,026</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.1386 percent and 0.1322 percent, respectively, resulting in a net increase in the proportionate share of 0.0064 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$10,791,085. In addition, the District recognized pension expense and revenue of \$6,167,996 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,238,158	\$ -
Net change in proportionate share of net pension liability	4,027,920	4,432,931
Differences between projected and actual earnings on the pension plan investments	8,911,110	-
Differences between expected and actual experience in the measurement of the total pension liability	-	2,734,311
Total	<u>\$ 22,177,188</u>	<u>\$ 7,167,242</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 194,411
2019	194,411
2020	5,180,058
2021	3,342,230
Total	<u>\$ 8,911,110</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (714,293)
2019	(714,293)
2020	(714,293)
2021	(714,293)
2022	(714,292)
Thereafter	432,142
Total	<u>\$ (3,139,322)</u>

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 161,322,962
Current discount rate (7.60%)	112,090,120
1% increase (8.60%)	71,200,183

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

#### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.



# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the total District contributions were \$5,574,613.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$64,730,434. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.3277 percent and 0.3284 percent, respectively, resulting in a net decrease in the proportionate share of 0.0007 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$7,499,667. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,574,613	\$ -
Net change in proportionate share of net pension liability	-	1,187,888
Differences between projected and actual earnings on the pension plan investments	10,044,082	-
Differences between expected and actual experience in the measurement of the total pension liability	2,784,029	-
Changes of assumptions	-	1,944,764
Total	<u>\$ 18,402,724</u>	<u>\$ 3,132,652</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 1,408,815
2019	1,408,815
2020	4,605,034
2021	2,621,418
Total	<u>\$ 10,044,082</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (565,148)
2019	(61,627)
2020	278,152
Total	<u>\$ (348,623)</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.65%)	\$ 96,578,167
Current discount rate (7.65%)	64,730,434
1% increase (8.65%)	38,210,928

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2017, which amounted to \$6,092,247 (8.602 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2017. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

### Deferred Compensation

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

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

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

### 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, 2017. Total contributions to the plan amounted to \$758,225.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

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

The District's share of year-end assets, liabilities, or fund equity has not been calculated. During the year ended June 30, 2017, the District made payments of \$79,464, \$21,200, \$1,478,368, and \$920,433 to SELF, RCCCSSIPE, REEP, and SCSRM, respectively.

### ***NOTE 15 - COMMITMENTS AND CONTINGENCIES***

#### **Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by 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, 2017.

#### **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, 2017.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**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
2018	\$ 309,378
2019	34,830
2020	33,237
2021	20,173
2022	8,364
Total	<u>\$ 405,982</u>

**Construction Commitments**

As of June 30, 2017, the District had the following budgetary commitments with respect to the unfinished capital projects:

Project	Estimated Cost to Complete	Percent Complete	Estimated Completion
District - Swing Space - Market Street Properties	\$ 129,197	85.09%	FY 17/18
Moreno Valley - Network Operations Center	252,872	91.64%	FY 17/18
Norco - Groundwater Monitoring Wells	323,207	39.51%	FY 17/18
Riverside City College Coil School for the Arts	807,962	97.90%	FY 17/18
Riverside City College Culinary Arts and District Office Building	158,842	99.52%	FY 18/19
Riverside City College Student Services Building	5,283,461	79.62%	FY 18/19
	<u>\$ 6,955,541</u>		

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

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2017**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unit Credit Cost Method (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
July 1, 2011	\$ -	\$ 24,642,278	\$ 24,642,278	0.00%	N/A	N/A
July 1, 2013	-	24,161,707	24,161,707	0.00%	N/A	N/A
July 1, 2015	-	25,347,991	25,347,991	0.00%	N/A	N/A

See accompanying note to required supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>			
District's proportion of the net pension liability	<u>0.1386%</u>	<u>0.1322%</u>	<u>0.1408%</u>
District's proportionate share of the net pension liability	\$ 112,090,120	\$ 89,023,018	\$ 82,251,502
State's proportionate share of the net pension liability associated with the District	<u>63,810,906</u>	<u>47,083,363</u>	<u>49,667,008</u>
Total	<u>\$ 175,901,026</u>	<u>\$ 136,106,381</u>	<u>\$ 131,918,510</u>
District's covered-employee payroll	<u>\$ 70,453,924</u>	<u>\$ 63,394,932</u>	<u>\$ 62,691,527</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>159.10%</u>	<u>140.43%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
<b>CalPERS</b>			
District's proportion of the net pension liability	<u>0.3277%</u>	<u>0.3284%</u>	<u>0.3371%</u>
District's proportionate share of the net pension liability	<u>\$ 64,730,434</u>	<u>\$ 48,412,453</u>	<u>\$ 38,273,998</u>
District's covered-employee payroll	<u>\$ 39,288,878</u>	<u>\$ 36,230,238</u>	<u>\$ 35,391,662</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>164.76%</u>	<u>133.62%</u>	<u>108.14%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>			
Contractually required contribution	\$ 9,238,158	\$ 7,559,706	\$ 5,629,470
Contributions in relation to the contractually required contribution	<u>9,238,158</u>	<u>7,559,706</u>	<u>5,629,470</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 73,435,278</u>	<u>\$ 70,453,924</u>	<u>\$ 63,394,932</u>
Contributions as a percentage of covered-employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>			
Contractually required contribution	\$ 5,574,613	\$ 4,655,732	\$ 4,264,299
Contributions in relation to the contractually required contribution	<u>5,574,613</u>	<u>4,655,732</u>	<u>4,264,299</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 40,162,918</u>	<u>\$ 39,288,878</u>	<u>\$ 36,230,238</u>
Contributions as a percentage of covered-employee payroll	<u>13.88%</u>	<u>11.85%</u>	<u>11.77%</u>

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

See accompanying note to required supplementary information.

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **Schedule of Other Postemployment Benefits (OPEB) Funding Progress**

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

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

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

*Changes in Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

#### **Schedule of District Contributions**

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

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*SUPPLEMENTARY INFORMATION*

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# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2017

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

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

### BOARD OF TRUSTEES

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

### DISTRICT ADMINISTRATION

Dr. Michael L. Burke, Ph.D.	Chancellor
Mr. Aaron Brown	Vice Chancellor, Business and Financial Services
Dr. Dennis Anderson	Interim, Vice Chancellor, Educational Services
Dr. Terri Hampton	Vice Chancellor, Human Resources and Employee Relations
Ms. Chris Carlson	Chief of Staff and Facilities Development

### COLLEGE ADMINISTRATION

Dr. Wolde-Ab Isaac	President, Riverside City College
Dr. Bryan Reece	President, Norco College
Dr. Robin Steinback	President, Moreno Valley College

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Procurement Technical Assistance For Business Firms	12.002		\$ 283,743	\$ -
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Bulletproof Vest Partnership	16.607		3,162	-
<b>U.S. DEPARTMENT OF LABOR</b>				
Workforce Investment Act				
Pass through from Chaffey Community College				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26434-14- 60-A-6	599,290	-
Research and Development Cluster				
<b>NATIONAL SCIENCE FOUNDATION</b>				
GP-Impact: Geoscientist Development	47.050		8,865	-
Flying with Swallows: Improve STEM Education at MVC	47.076		76,067	-
The Information Assurance Auditing Project	47.076		104,962	-
National Center for Supply Chain Automation	47.076		468,740	93,298
National Center of Excellence for Logistics and Supply Chain Technology	47.076		96,388	1,297
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Pass through from Regents of the University of California, Riverside				
Agents of Change for a Healthier Tomorrow	93.884	S-000834	16,074	-
Total Research and Development Cluster			771,096	94,595
<b>SMALL BUSINESS ADMINISTRATION</b>				
Federal and State Technology (FAST)	59.058		64,615	-
Pass through from California State University, Fullerton Auxiliary Services Corporation				
Tri-Tech Small Business Development Center	59.037	S-5871-RCCD	391,312	-
Pass through from California Community Colleges Chancellor's Office				
CA State Trade Export	59.061	SBAHQ-15-IT-0026; SBAHQ-16-IT-0032	219,533	-
Total Small Business Administration			675,460	-
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>				
Veterans Services	64.117		6,613	-

[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, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TRIO Cluster:				
Student Support Services Program	84.042A		\$ 1,452,610	\$ -
Talent Search	84.044A		128,901	-
Upward Bound Program	84.047A		1,083,428	-
Upward Bound Program - Math & Science	84.047M		287,082	-
Subtotal TRIO Cluster			2,952,021	-
Student Financial Assistance Cluster:				
Federal Supplement Education Opportunity Grant (FSEOG)	84.007		1,095,480	-
FSEOG Administrative	84.007		75,254	-
Federal Direct Student Loans (Direct Loans)	84.268		3,700,996	-
Federal Work Study Program (FWS)	84.033		1,031,242	-
Federal Work Study Administrative	84.033		62,815	-
Federal Pell Grants (PELL)	84.063		42,386,073	-
Federal Pell Administrative	84.063		69,330	-
Subtotal Student Financial Assistance Cluster			48,421,190	-
Higher Education Act				
Title V - Accelerating Pathways to Graduation and Transfer	84.031S		644,562	-
Title V - Moreno Valley College Title V Corrections Scenario Training	84.031S		131,409	-
Title V - Bright Pathways to STEM Success	84.031S		140,467	-
Title V - HSI Pathways to Excellence	84.031S		181,684	-
Title V - MVC STEM Project	84.031S		81,686	-
Title V - STEM Engineering Pathways	84.031C		315,088	-
MVC Technology Access Project	84.031C		222,981	-
Passed through from University Enterprise Corporation at CSUSB				
Title V - Here to Career	84.031S	GT16146	10,960	-
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	16-150-006	210,657	-
Career and Technical Education, Title I-C	84.048	16-C01-045	1,075,680	-
Career and Technical Education Transitions	84.048A	16-C01-045	114,933	-

[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, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
Rehabilitation Act				
Pass through from California Department of Rehabilitation				
Workability	84.126A	29287	\$ 183,001	\$ -
Total U.S. Department of Education			<u>54,686,319</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Pass through from California Community Colleges Chancellor's Office				
Temporary Assistance to Needy Families (TANF)	93.558	[1]	201,011	-
Foster & Kinship Care Education Program (FKCE)	93.658	[1]	25,038	-
Pass through from Yosemite Community College District				
Early Childhood Study - Consortium Grant	93.575	16-17-4165	24,275	-
Pass through from Riverside County Superintendent of Schools				
Independent Living Skills - Emancipation Services	93.674	C-1005010	42,530	-
Total U.S. Department of Health and Human Services			<u>292,854</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 57,318,537</u>	<u>\$ 94,595</u>

[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, 2017**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
AB 86 Adult Education Block Grant	\$ 540,527	\$ 514,319	\$ 1,054,846
Adult Ed Program Data Block	51,446	-	51,446
Basic Skills	515,298	375,913	891,211
Board Financial Assistance Program	1,402,661	-	1,402,661
California Career Pathways Trust	6,510,047	3,427,311	9,937,358
California Apprenticeship Initiative	800,000	-	800,000
CalWORKs	1,098,896	-	1,098,896
CalWORKs Community College Set-Aside	-	78,235	78,235
CARE	242,183	-	242,183
College Connection	81,247	-	81,247
Commercial Sexual Exploitation of Children	6,750	-	6,750
Community College Basic Skills and Student Outcomes Transformation	1,321,637	-	1,321,637
CTE Data Unlocked Initiative	250,000	-	250,000
CTE Enhancement Funds	-	111,386	111,386
CTE Pathways	100,000	-	100,000
Deputy Sector Navigator	572,500	33,463	605,963
Disabled Student Programs and Services (DSPS)	2,998,798	-	2,998,798
Enrollment Growth for ADN-RN	382,000	-	382,000
EOPS Special Project Set-Aside	427,710	34,268	461,978
Extended Opportunity Program and Services (EOPS)	1,877,072	-	1,877,072
Foster Care Education Program	67,437	-	67,437
Foster Parent Pre-Training	284,597	-	284,597
Full Time Student Success	1,117,199	149,231	1,266,430
GO-Biz	60,000	-	60,000
Instructional Equipment	1,338,113	222,926	1,561,039
Makerspace Start-Up	80,000	-	80,000
Middle College High School	109,000	24,354	133,354
Proposition 39 Clean Energy	114,209	-	114,209
SFAP Fiscal Coordination	494,416	-	494,416
Song Brown Health Care Workforce Training Act	200,000	-	200,000
Song Brown RN Education Capitation	-	108,859	108,859
Song Brown RN Education Special Program	63,377	72,902	136,279

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 1,054,846	\$ -	\$ -	\$ (671,332)	\$ 383,514	\$ 383,514
51,446	-	-	(44,867)	6,579	6,579
891,211	-	(405)	(426,231)	464,575	464,575
1,402,661	-	-	-	1,402,661	1,402,661
9,937,358	-	-	(6,879,110)	3,058,248	3,058,248
120,000	64,169	-	(111,083)	73,086	73,086
1,098,896	-	(10,287)	-	1,088,609	1,088,609
78,235	-	(6,744)	(29,487)	42,004	42,004
242,183	-	(9,486)	-	232,697	232,697
65,799	-	-	-	65,799	65,799
4,050	960	-	-	5,010	5,010
1,737,369	-	-	(988,426)	748,943	748,943
209,776	18,541	-	(150,000)	78,317	78,317
102,037	-	-	-	102,037	102,037
40,000	29,652	-	-	69,652	69,652
82,463	523,500	-	-	605,963	605,963
2,997,693	-	-	-	2,997,693	2,997,693
351,440	30,560	-	-	382,000	382,000
461,978	-	-	(186,893)	275,085	275,085
1,877,072	-	(18,294)	-	1,858,778	1,858,778
38,362	60,876	-	-	99,238	99,238
75,603	50,968	(7,142)	-	119,429	119,429
1,266,430	-	-	(13,300)	1,253,130	1,253,130
49,774	9,822	-	-	59,596	59,596
1,561,039	-	-	(387,549)	1,173,490	1,173,490
40,000	-	-	(30,382)	9,618	9,618
63,954	69,400	-	-	133,354	133,354
-	113,880	-	-	113,880	113,880
(14,244)	389,408	-	-	375,164	375,164
50,000	50,000	-	(405)	99,595	99,595
83,859	25,000	-	-	108,859	108,859
53,664	82,615	-	-	136,279	136,279

(Continued)

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
SSSP Special Project Set-Aside	\$ 1,453,008	\$ 553,867	\$ 2,006,875
Staff Development	-	2,788	2,788
Strong Workforce Program Local	2,918,223	-	2,918,223
Strong Workforce Program Regional	7,073,557	-	7,073,557
Student Equity	3,701,354	1,827,389	5,528,743
Student Success and Support Program	6,409,023	1,767,268	8,176,291
Summer Food Service Program	9,713	-	9,713
Cal Grant B	4,691,767	-	4,691,767
Total State Programs			

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 2,006,875	\$ -	\$ (293,316)	\$ (1,198,894)	\$ 514,665	\$ 514,665
2,788	-	-	(2,788)	-	-
2,918,223	-	-	(2,663,788)	254,435	254,435
7,703,557	-	-	(6,673,511)	1,030,046	1,030,046
5,528,743	-	(237)	(1,576,002)	3,952,504	3,952,504
8,176,291	-	-	(1,680,274)	6,496,017	6,496,017
9,713	-	-	-	9,713	9,713
4,691,767	152,288	(1,101)	-	4,842,954	4,842,954
<u>\$ 57,112,911</u>	<u>\$ 1,671,639</u>	<u>\$ (347,012)</u>	<u>\$ (23,714,322)</u>	<u>\$ 34,723,216</u>	<u>\$ 34,723,216</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT  
 FOR THE YEAR ENDED JUNE 30, 2017**

<b>CATEGORIES</b>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2016 only)</b>			
1. Noncredit	21.44	-	21.44
2. Credit	1,857.00	-	1,857.00
<b>B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)</b>			
1. Noncredit	-	-	-
2. Credit	879.86	-	879.86
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	17,838.27	-	17,838.27
(b) Daily Census Contact Hours	2,644.95	-	2,644.95
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	52.01	-	52.01
(b) Credit	2,295.40	-	2,295.40
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Contact Hours	2,402.76	-	2,402.76
(b) Daily Census Contact Hours	1,660.65	-	1,660.65
<b>D. Total FTES</b>	<u>29,652.34</u>	<u>-</u>	<u>29,652.34</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	291.58	-	291.58
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit	19.34	-	19.34
2. Credit	2,557.62	-	2,557.62

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, 2017**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 30,023,241	\$ -	\$ 30,023,241	\$ 30,023,241	\$ -	\$ 30,023,241
Other	1300	30,601,966	-	30,601,966	30,601,966	-	30,601,966
<b>Total Instructional Salaries</b>		<b>60,625,207</b>	<b>-</b>	<b>60,625,207</b>	<b>60,625,207</b>	<b>-</b>	<b>60,625,207</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	12,641,983	-	12,641,983
Other	1400	-	-	-	1,658,361	-	1,658,361
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>14,300,344</b>	<b>-</b>	<b>14,300,344</b>
<b>Total Academic Salaries</b>		<b>60,625,207</b>	<b>-</b>	<b>60,625,207</b>	<b>74,925,551</b>	<b>-</b>	<b>74,925,551</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	24,883,962	-	24,883,962
Other	2300	-	-	-	2,210,056	-	2,210,056
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>27,094,018</b>	<b>-</b>	<b>27,094,018</b>
<b>Instructional Aides</b>							
Regular Status	2200	2,014,627	-	2,014,627	2,014,627	-	2,014,627
Other	2400	478,644	-	478,644	478,644	-	478,644
<b>Total Instructional Aides</b>		<b>2,493,271</b>	<b>-</b>	<b>2,493,271</b>	<b>2,493,271</b>	<b>-</b>	<b>2,493,271</b>
<b>Total Classified Salaries</b>		<b>2,493,271</b>	<b>-</b>	<b>2,493,271</b>	<b>29,587,289</b>	<b>-</b>	<b>29,587,289</b>
Employee Benefits	3000	21,274,352	-	21,274,352	43,672,335	-	43,672,335
Supplies and Material	4000	-	-	-	1,895,457	-	1,895,457
Other Operating Expenses	5000	977,371	-	977,371	15,768,713	-	15,768,713
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		<b>85,370,201</b>	<b>-</b>	<b>85,370,201</b>	<b>165,849,345</b>	<b>-</b>	<b>165,849,345</b>

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued  
FOR THE YEAR ENDED JUNE 30, 2017**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ 70,579	\$ -	\$ 70,579
Student Health Services Above Amount Collected	6441	-	-	-	25,554	-	25,554
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,830,313	-	3,830,313
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	1,364,184	-	1,364,184
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	3,194,983	-	3,194,983
Employee Benefits	3000	-	-	-	1,753,233	-	1,753,233
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.



**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued  
FOR THE YEAR ENDED JUNE 30, 2017**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 38,340	\$ -	\$ 38,340
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>							
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		-	-	-	10,277,186	-	10,277,186
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 85,370,201	\$ -	\$ 85,370,201	\$ 155,572,159	\$ -	\$ 155,572,159
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		54.87%		54.87%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 77,786,080		\$ 77,786,080

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, 2017**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Activity Classification</b>	<b>Object Code</b>	<b>Unrestricted</b>			
EPA Proceeds:	8630				\$ 22,805,286
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 22,590,813	\$ 214,473	\$ -	\$ 22,805,286
<b>Total Expenditures for EPA</b>		\$ 22,590,813	\$ 214,473	\$ -	\$ 22,805,286
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

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

**Total Fund Balance and Retained Earnings:**

General Funds	\$ 50,538,705
Special Revenue Funds	2,289,145
Capital Outlay Projects	10,376,386
Debt Service Funds	15,684,094
Proprietary Fund	5,401,844
Fiduciary Funds	<u>1,767,542</u>

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

**\$ 86,057,716**

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: 612,417,167

Accumulated depreciation is: (171,457,439) 440,959,728

Amounts held in trust on behalf of others (Trust and Agency Funds) (1,144,256)

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. (4,918,620)

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

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

Pension contributions subsequent to measurement date 14,812,771

Net change in proportionate share of the net pension liability 4,027,920

Difference between projected and actual earnings on pension plan investments. 18,955,192

Differences between expected and actual experience in the measurement of the total pension liability. 2,784,029

**Total Deferred Outflows of Resources Related to Pensions 40,579,912**

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

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

Differences between expected and actual experience in the measurement of the total pension liability. (2,734,311)

Net change in proportionate share of the net pension liability (5,620,819)

Changes in assumptions (1,944,764)

**Total Deferred Inflows of Resources Related to Pensions (10,299,894)**

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

Deferred charge on refunding at year end amounted to: 9,479,658

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION, Continued  
JUNE 30, 2017**

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Long-term obligations at year end consist of:

Bonds payable	\$ 272,494,051
Compensated absences and load banking	3,773,741
Other postemployment benefits (OPEB)	10,767,072
Aggregate net pension liability	176,820,554

In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:

6,923,912

Less compensated absences already recorded in funds

(1,458,413) \$ (469,320,917)

**Total Net Position**

\$ 91,393,327

See accompanying note to supplementary information.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organization**

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

**Schedule of Expenditures of Federal Awards**

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Build America Bonds, Federal Pell Grants, and Medi-Cal Administrative Activities funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2017. Federal Work Study Program and Federal Supplemental Education Opportunity Grant funds have been recorded in the prior periods as revenues and expended in the 2016-2017 year.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Position:		\$ 59,708,037
Build America Bonds	N/A	(2,335,706)
Federal Pell Grant (PELL)	84.063	(94,480)
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007	28,232
Federal Work Study Program (FWS)	84.033	46,145
Medi-Cal Administrative Activities	93.778	(33,691)
Total Expenditures of Federal Awards		<u>\$ 57,318,537</u>

**Schedule of Expenditures of State Awards**

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

# RIVERSIDE COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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### **Schedule of Workload Measures for State General Apportionment**

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

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

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

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

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

### **Proposition 30 Education Protection Act (EPA) Expenditure Report**

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

### **Reconciliation of Governmental Funds to the Statement of Net Position**

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

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***INDEPENDENT AUDITOR'S REPORTS***

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

Board of Trustees  
Riverside Community College District  
Riverside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Riverside Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

Varrinck, Trini, Day & Co., LLP

Riverside, California  
November 27, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Riverside Community College District  
Riverside, California

**Report on Compliance for Each Major Federal Program**

We have audited Riverside Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2017. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Varrin, Trine, Day & Co., LLP

Riverside, California  
November 27, 2017



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees  
Riverside Community College District  
Riverside, California

### Report on State Compliance

We have audited Riverside Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

### Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition 55 Education Protection Account Funds

The District does not offer an Intersession Extension Program; therefore, the compliance tests within this section were not applicable.

The District did not receive any funding through Proposition 1D State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

*Vavrinich, Trini, Day & Co., LLP*

Riverside, California  
November 27, 2017

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

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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Assistance Cluster</u>
<u>84.042A, 84.044A, 84.047A, 84.047M</u>	<u>TRIO Cluster</u>
<u>84.031C, 84.031S</u>	<u>Title V - Accelerating Pathways to Graduation and Transfer; Title V - Moreno Valley College Corrections Scenario Training; Title V - Bright Pathways to STEM Success; Title V - HSI Pathways to Excellence; Title V - MVC STEM Project; Title V - STEM Engineering Pathways; MVC Technology Access Project; Title V - Here to Career</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,719,556</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

# **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017**

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

### ***Financial Statement Findings***

None reported.

### ***Federal Awards Findings***

None reported.

### ***State Awards Findings***

None reported.