

RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

Report No.: VI-C-1

Date: November 16, 2010

Subject: 2009-2010 Proposition 39 Financial and Performance Audits

Background: In accordance with the provisions of Proposition 39, independent financial and performance audits of the Measure C general obligation bonds were performed by Vicenti, Lloyd and Stutzman LLP. The audit report was presented to the Citizens Bond Oversight Committee at its regularly scheduled meeting on October 14, 2010. A representative of the audit firm will be available to present and discuss the reports. Results of the audits are summarized below.

Auditor's Opinion

The auditors have issued unqualified opinions for both the Financial and Performance Audits; excerpts of which are as follows:

Financial Audit - "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America."

Performance Audit - "The results of our tests indicated that, in all significant respects, Riverside Community College District expended Measure C General Obligation Bond funds for the year ended June 30, 2010 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution."

Audit Findings

There were no findings or questioned costs related to the audits of the Measure C general obligation bonds for the year ended June 30, 2010.

Recommended Action: It is recommended that the Board of Trustees receive the independent Proposition 39 Financial and Performance Audits of the Measure C general obligation bonds for the year ended June 30, 2010.

Gregory W. Gray
Chancellor

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

Aaron S. Brown
Associate Vice Chancellor, Finance

Bill J. Bogle, Jr., Controller



October 8, 2010

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

This letter is intended to ensure that the Board of Trustees and the Measure C Citizens' Bond Oversight Committee of Riverside Community College District (the "District") receives additional information regarding the scope and results of the audit of the General Obligation Bond Funded Capital Outlay Projects that may assist in overseeing the financial reporting and disclosure process for which management is responsible. These communications relate to the financial statement audit of the General Obligation Bond Funded Capital Outlay Projects that has been performed by Vicenti, Lloyd & Stutzman LLP ("VLS") for the year ended June 30, 2010, and other relevant information relating to VLS' relationship with the District. Our objective is to communicate certain information that is required to be communicated to those charged with governance by professional auditing standards.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

The Auditor's Responsibility under Applicable Auditing Standards

Our audit of the financial statements of the General Obligation Bond Funded Capital Outlay Projects for the year ended June 30, 2010 was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

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Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events, and certain assumptions about future events. Management has informed us it used all the relevant facts available at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include such items as establishing the accruals of receivables and liabilities. We believe management's estimates are reasonable, based on our audit. However, estimates are subject to change because of future events, and the ultimate amounts realized may differ from those provided.

Accounting Policies and Alternative Treatments

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2010. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in dealing with management relating to the performance of the audit.

Uncorrected Misstatements

We accumulated no uncorrected misstatements for the fiscal year ended June 30, 2010.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no audit adjustments made to the original trial balance presented to us at the beginning of our audit other than an adjustment requested by management.

Disagreement with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments or any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Riverside Community College District
October 8, 2010
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Other Information in Documents Containing Audited Financial Statements

We are not aware of other documents that contain the audit report of the General Obligation Bond Funded Capital Outlay Projects. When such documents are to be published, such as the Annual Report, we have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the General Obligation Bond Funded Capital Outlay Projects.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about auditing and accounting matters related to the General Obligation Bond Funded Capital Outlay Projects.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our recurring retention to perform the aforementioned audit.

Representations from Management

Management makes representations to us regarding the fair presentation of the financial statements, application of generally accepted accounting principles and management's responsibility for establishing and maintaining effective internal controls.

Significant Issues Discussed with Management

No management letter was issued related to the audit of the General Obligation Bond Funded Capital Outlay Projects for the year ended June 30, 2010.

Independence

Vicenti Lloyd & Stutzman LLP is independent with respect to the District. Our quality control processes are established to ensure our continuing independence.

Other Matters

Although we understand the difficulty in maintaining committee members as required by Education Code Section 15282, we noted that there was not always representation from the seven constituencies required. We support the Board of Trustees and managements' effort to maintain the committee as mandated.

Riverside Community College District
October 8, 2010
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Closing

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

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RIVERSIDE COUNTY

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

June 30, 2010

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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

June 30, 2010

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**INDEPENDENT AUDITORS' REPORT ON
PROPOSITION 39 GENERAL OBLIGATION BOND
FUNDED CAPITAL OUTLAY PROJECTS**

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

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District (the District) as of and for the fiscal year ended June 30, 2010. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2010 on our consideration of the Riverside Community College District's internal control over the General Obligation Bond Funded Capital Outlay Projects financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the General Obligation Bond Funded Capital Outlay Projects financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


VICENTI, LLOYD & STUTZMAN LLP

October 8, 2010

RIVERSIDE COMMUNITY COLLEGE DISTRICT

BALANCE SHEET

GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS

June 30, 2010

ASSETS

Cash in County Treasury	\$ 44,050,878
Accounts Receivable	4,833,343
Prepaid Expense	<u>258,047</u>
TOTAL ASSETS	\$ <u>49,142,268</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ <u>5,395,541</u>
TOTAL LIABILITIES	<u>5,395,541</u>

FUND BALANCE

Designated	<u>43,746,727</u>
TOTAL FUND BALANCE	<u>43,746,727</u>

TOTAL LIABILITIES AND FUND BALANCE	\$ <u>49,142,268</u>
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The accompanying notes are an integral part of the financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

For the Fiscal Year Ended June 30, 2010

REVENUES

Revenue from Local Sources

Local Revenues	\$ 49,303
Contributions	4,831,506
Interest and Investment Income	<u>746,742</u>

TOTAL REVENUES 5,627,551

EXPENDITURES

Other Services	573,262
Capital Outlay	<u>29,311,967</u>

TOTAL EXPENDITURES 29,885,229

Deficiency of revenues over expenditures (24,257,678)

Fund Balance at Beginning of Year 68,004,405

Fund Balance at End of Year \$ 43,746,727

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS
For the Fiscal Year Ended June 30, 2010**

	<u>Budget *</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenue from Local Sources			
Local Revenues	\$	\$ 49,303	\$ 49,303
Contributions	5,833,783	4,831,506	(1,002,277)
Interest and Investment Income	<u>800,000</u>	<u>746,742</u>	<u>(53,258)</u>
TOTAL REVENUES	<u>6,633,783</u>	<u>5,627,551</u>	<u>(1,006,232)</u>
EXPENDITURES			
Other Services	1,525,306	573,262	952,044
Capital Outlay	<u>69,380,973</u>	<u>29,311,967</u>	<u>40,069,006</u>
TOTAL EXPENDITURES	<u>70,906,279</u>	<u>29,885,229</u>	<u>41,021,050</u>
Deficiency of revenues over expenditures	<u>\$ (64,272,496)</u>	(24,257,678)	<u>\$ 40,014,818</u>
Fund Balance at Beginning of Year		<u>68,004,405</u>	
Fund Balance at End of Year		<u>\$ 43,746,727</u>	

* The budget for revenues reflects estimated amounts to be received in the current year. The budget for expenditures reflects amounts remaining and available for current and subsequent years' expenditures and does not necessarily coincide with actual planned expenditures in the current year.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

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

FUND STRUCTURE

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

BASIS OF ACCOUNTING

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

During the year, Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the budget adopted by the Board of Trustees and all amendments throughout the year.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

CAPITAL ASSETS AND LONG-TERM DEBT

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations by major object accounts.

NOTE 3 – BONDED DEBT:

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

The outstanding related bonded debt for the Riverside Community College District at June 30, 2010 is:

<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
2004A	4.00-5.25%	2030	\$ 55,205,000	\$ 3,475,000	\$	\$	\$ 3,475,000
2005 Refunding	3.00-5.00%	2025	58,386,109	53,861,109		1,495,000	52,366,109
2007C	4.00-5.00%	2033	90,000,000	78,855,000		5,160,000	73,695,000
			<u>\$ 203,591,109</u>	<u>\$ 136,191,109</u>	<u>\$ -</u>	<u>\$ 6,655,000</u>	<u>\$ 129,536,109</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3 – BONDED DEBT: (continued)

Series A & B

In August 2004, the District issued the General Obligation Bonds, Series A in the amount of \$55,205,000. Series A Bonds were issued to finance the acquisition, construction, and modernization of property and school facilities and to refund the District’s outstanding Certificates of Participation (1993 Financing Project). Series B Bonds for \$9,795,000 were also issued in August 2004 to advance refund the District’s outstanding Certificates of Participation (2001 Refunding Project). The Series B Bonds were paid in full as of June 30, 2008.

The annual requirements to amortize Series A Bonds payable, outstanding as of June 30, 2010, are as indicated below:

Year Ended June 30,	Principal	Interest	Total
2011	\$	\$ 146,075	\$ 146,075
2012	500,000	136,075	636,075
2013	620,000	113,675	733,675
2014	795,000	85,375	880,375
2015	1,000,000	49,475	1,049,475
2016-2020	95,000	137,256	232,256
2021-2025	175,000	104,125	279,125
2026-2030	290,000	43,206	333,206
	<u>\$ 3,475,000</u>	<u>\$ 815,262</u>	<u>\$ 4,290,262</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3 – BONDED DEBT: (continued)

Refunding

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

The annual requirements to amortize Refunding Bonds payable, outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2011	\$ 1,740,000	\$ 2,366,249	\$	\$ 4,106,249
2012	1,252,016	2,310,499	577,984	4,140,499
2013	876,061	2,298,250	1,138,939	4,313,250
2014	837,747	2,298,250	1,327,253	4,463,250
2015	797,240	2,298,250	1,517,760	4,613,250
2016-2020	16,113,045	10,078,875	2,031,955	28,223,875
2021-2025	30,750,000	4,146,750		34,896,750
	<u>\$ 52,366,109</u>	<u>\$ 25,797,123</u>	<u>\$ 6,593,891</u>	<u>\$ 84,757,123</u>

Capital appreciation bonds were issued as part of the 2005 refunding issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued has been reflected in the long term debt balance on the District’s financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2010**

NOTE 3 – BONDED DEBT: (continued)

Series C

In June 2007, the District issued the General Obligation Bonds, Series C in the amount of \$90,000,000. The bonds were issued to finance the repair, acquisition, construction, and equipping of certain district facilities, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds.

The annual requirements to amortize Series C Bonds payable, outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,185,000	\$ 3,534,575	\$ 8,719,575
2012		3,425,500	3,425,500
2013		3,425,500	3,425,500
2014		3,425,500	3,425,500
2015		3,425,500	3,425,500
2016-2020		17,127,500	17,127,500
2021-2025		17,127,500	17,127,500
2026-2030	43,950,000	12,011,500	55,961,500
2031-2033	24,560,000	1,326,500	25,886,500
	<u>\$ 73,695,000</u>	<u>\$ 64,829,575</u>	<u>\$ 138,524,575</u>

NOTE 4 – PURCHASE COMMITMENTS

As of June 30, 2010, the District was committed under various capital expenditure purchase agreements for bond projects in process totaling approximately \$68,709,000.



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

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

We have audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District as of and for the fiscal year ended June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverside Community College District's internal control over the General Obligation Bond Funded Capital Outlay Projects financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverside Community College District's General Obligation Bond Funded Capital Outlay Projects financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 of the General Obligation Bond Funded Capital Outlay Projects disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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


VICENTI, LLOYD & STUTZMAN LLP

October 8, 2010

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

**FINANCIAL AUDIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010**

There were no findings related to the financial audit of the General Obligation Bond Funded Capital Outlay Projects for the year ended June 30, 2010.

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



INDEPENDENT AUDITORS' REPORT

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

We have conducted a performance audit of the Riverside Community College District (the "District"), Measure C General Obligation Bond funds for the year ended June 30, 2010.

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

Our audit was limited to the objectives listed on page 15 of this report which includes determining the Riverside Community College District's compliance with the performance requirements for the Proposition 39 Measure C General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the Riverside Community College District's compliance with those requirements.

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

The results of our tests indicated that, in all significant respects, Riverside Community College District expended Measure C General Obligation Bond funds for the year ended June 30, 2010 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

October 8, 2010

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

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2010**

OBJECTIVES

The objectives of our performance audit were to:

- Document the expenditures charged to the Riverside Community College District Measure C General Obligation Bond Funded Capital Outlay Projects.
- Determine whether expenditures charged to the Measure C General Obligation Bond Funded Capital Outlay Projects have been made in accordance with the bond project list approved by the voters through the approval of Measure C in March 2004.
- Note any incongruities or system weaknesses and provide recommendations for improvement.
- Provide the District Board of Trustees and the Measure C Citizens' Bond Oversight Committee with a performance audit as required under the provisions of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2009 to June 30, 2010. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2010 were not reviewed or included within the scope of our audit or in this report.

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

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2010**

BACKGROUND INFORMATION

In November, 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. On March 2, 2004, the voters of Riverside Community College District approved Measure C, a \$350 million bond measure designed to provide funds to improve facilities and safety at the Moreno Valley, Norco, and Riverside campuses.

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

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

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

PROPOSITION 39 PERFORMANCE AUDIT

June 30, 2010

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the period of July 1, 2009 to June 30, 2010 for the General Obligation Bond Funded Capital Outlay Projects — Measure C Bond Program. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Proposition 39 and Measure C as to the approved bond projects list. We performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set forth in the Measure C election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2010 and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified that funds from the General Obligation Bond Funded Capital Outlay Projects — Measure C Bond Program were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the General Obligation Bond Funded Capital Outlay Projects — Measure C Bond Program were not used for salaries of school administrators or other operating expenses of the District.

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

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2010**

CONCLUSION

Based upon our procedures performed, we found that for the items tested, the Riverside Community College District has properly accounted for the expenditures of the funds held in the General Obligation Bond Funded Capital Outlay Projects — Measure C Bond Program and that such expenditures were made for authorized bond projects. Furthermore, it was noted that the funds held in the General Obligation Bond Funded Capital Outlay Projects — Measure C Bond Program, and expended by the District, were not expended for salaries of school administrators or other operating expenditures.

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

**PROPOSITION 39 PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2010**

There were no findings related to the performance audit for the fiscal year ended June 30, 2010.

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

**PROPOSITION 39 PERFORMANCE AUDIT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
June 30, 2010**

There were no findings related to the performance audit for the fiscal year ended June 30, 2009.

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

**PROPOSITION 39 PERFORMANCE AUDIT
 BOND PROJECT SUMMARY
 June 30, 2010**

The District has identified the following projects to be funded with proceeds from the general obligation bonds. The District incurred costs of \$124,603,612 through June 30, 2010 for these construction projects. Capital outlay and other financing expenditures were as follows:

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2009	2010 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2010
Parking Structure - Riverside	\$ 20,940,662	\$ 20,940,661	\$	\$ 20,940,661
PE Complex / Athletic Field Phase I - Riverside	4,516,435	4,516,435		4,516,435
Lovekin Complex (Swing Space)	3,958,308	3,958,308		3,958,308
Quad Modernization Project	8,918,800	8,898,458	9,131	8,907,589
RCC System Office - Purchase Option	2,629,982	2,629,982		2,629,982
MLK Renovation	1,010,614	1,010,614		1,010,614
Bridge Space Project	1,175,132	1,175,132		1,175,132
Phase III - Norco	10,147,826	7,158,034	2,223,849	9,381,883
District Computer / Network / Phone Upgrades	1,351,043	1,293,135	13,363	1,306,498
Scheduled Maintenance - District Match for State Allocation	1,432,775	1,370,765	32,280	1,403,045
Administration Building Remodel	186,100	186,100		186,100
Business Education Building Remodel	129,325	129,325		129,325
Nursing / Sciences Building Riverside	25,850,833	4,226,553	2,874,430	7,100,983
Phase III - Moreno Valley	1,157,320	645,284		645,284
Physical Education Phase II	9,045,751	443,570	593,094	1,036,664
Feasibility and Planning	576,153	328,551	168,682	497,233
Innovative Learning Center	7,653,605	6,656,982	628,391	7,285,373
Moreno Valley Secondary Effects	286,227	286,226		286,226
Norco Campus Room Renovations	100,020	100,019		100,019
Riverside Food Services Remodel	987,705	987,705		987,705
Moreno Valley Food Services Remodel	3,552,000	295,758	2,086,019	2,381,777
Infrastructure Studies Project	484,414	484,414		484,414
Moreno Valley Hot Water Loop System	869,848	869,848		869,848
Emergency Phones Installation Project	379,717	379,717		379,717
Noresco Utility Retrofit Improvement	6,181,188	6,181,189		6,181,189
Modular Redistribution Norco/MoVal/BC/Riv	8,432,160	8,302,623	113,581	8,416,204
ECS Upgrade/Retrofit Norco/MoVal	625,327	366,006	6,906	372,912
PBX Operations Center Riv/Nor/MV	20,276,101	507,174	724,712	1,231,886
Phys/Life Science 2ndary Effects StSvc	146,500	140,500		140,500
Norco Campus Student Support Center	19,994,500	2,573,820	10,696,896	13,270,716
Staff Costs	581,705	216,930	299,351	516,281
Long Range Master Plan Project	1,439,077	1,439,077		1,439,077
Construction Management Services	232,775	210,331		210,331
Logic Domain CPMX	124,125	96,000	9,375	105,375

See Independent Auditors' Report.

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

**PROPOSITION 39 PERFORMANCE AUDIT
 BOND PROJECT SUMMARY
 June 30, 2010**

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2009	2010 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2010
Aquatic Pool Project	10,833,783	1,137,528	3,605,592	4,743,120
Norco Soccer Field	4,616,480	3,485,024	386,634	3,871,658
Moreno Valley Parking Structure	31,800,000	54,000	1,959,768	2,013,768
Bradshaw Building Electrical	366,353	366,353		366,353
Quad Basement Remodel	467,500	12,960	11,295	24,255
Black Box Theatre Remodel	761,750	10,955		10,955
Technology Building - A	935,000	11,375		11,375
Center for Health, Wellness and Kinesiology	83,000	83,000		83,000
Health Science Center	164,971	94,271	53,024	147,295
ADA Transition Plan	556,780	457,691	87,839	545,530
March Dental Education Center	1,200,000		81,669	81,669
Norco Secondary Effects Project	16,009,004		781,366	781,366
Utility Infrastructure Upgrade Project	500,000		429,933	429,933
Norco Campus Safety & Site Improvement Project	1,700,000		789,251	789,251
Moreno Valley Campus Safety & Site Improvement Project	900,000		719,827	719,827
Moreno Valley Campus Administrative Move to Humanities	50,000		25,990	25,990
Moreno Valley Campus Science Laboratories Remodel	500,000		143,425	143,425
Ben Clark Public Safety Training Center Project	84,500		32,110	32,110
Riverside Interim Parking Lease	260,000		86,325	86,325
Moreno Valley Center for Human Performance	95,759		93,786	93,786
Riverside Cosmetology Building	133,000		110,400	110,400
Alumni Carriage House Restoration Project	16,000		2,035	2,035
District Wide IT Audit	196,040		4,900	4,900
District Culinary Arts / District Office Building	23,043,996			
Total Capital Outlay	260,647,969	94,718,383	29,885,229	124,603,612
Series A Refunding Escrow	57,686,474	57,686,474		57,686,474
COPS Payoffs	11,582,873	11,582,873		11,582,873
Costs of issuance	2,836,264	2,836,264		2,836,264
Debt service	2,835,612	2,835,612		2,835,612
Election costs	98,236	98,236		98,236
Total Other Financing Uses	75,039,459	75,039,459	-	75,039,459
TOTALS	\$ 335,687,428	\$ 169,757,842	\$ 29,885,229	\$ 199,643,071

See Independent Auditors' Report.