



Agenda Item (VIII-E-1)

Meeting	12/13/2011 - Regular
Agenda Item	Committee - Resources (VIII-E-1)
Subject	2010-2011 Proposition 39 Financial and Performance Audits
College/District	District
Funding	Measure C
Recommended Action	It is recommended that the Board of Trustees receive the Proposition 39 independent financial and performance audits of the District's Measure C general obligation bonds for the year ended June 30, 2011 for the permanent file of the District.

Background Narrative:

See the attached background information relative to the 2010-2011 Proposition 39 independent financial and performance audits of the District's Measure C general obligation bonds.

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

Attachments:

[2010-2011 Proposition 39 Financial and Performance Audits Background Information - December 13, 2011](#)

2010-2011 Proposition 39 Financial and Performance Audits December 13, 2011

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 13, 2011. 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, 2011, 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, 2011 only for the specific projects developed by the District's Board of Trustees, and approved by the voters in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution."

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, 2011.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RIVERSIDE COUNTY

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

June 30, 2011

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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

June 30, 2011

CONTENTS

	<u>Page</u>
Financial Audit of the General Obligation Bond Funded Capital Outlay Projects:	
Independent Auditor's Report on Proposition 39 General Obligation Bond Funded Capital Outlay Projects	1-2
Balance Sheet.....	3
Statement of Revenues, Expenditures and Change in Fund Balance	4
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual.....	5
Notes to Financial Statements.....	6-13
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	14-15
Schedule of Findings and Responses.....	16
Performance Audit of the General Obligation Bond Funded Capital Outlay Projects:	
Independent Auditor's Report on Proposition 39 General Obligation Bonds Funded Capital Outlay Projects Compliance Requirements.....	17
Background Information.....	18
Objectives and Scope of Performance Audit.....	19
Procedures Performed.....	20
Conclusion	21
Schedule of Findings and Responses.....	22
Status of Prior Year Findings and Responses.....	23
Bond Project Summary	24-25



**INDEPENDENT AUDITOR'S 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

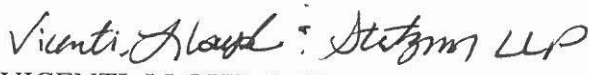
We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District (the District) as of and for the fiscal year ended June 30, 2011. 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, 2011, 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 September 23, 2011 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

September 23, 2011

RIVERSIDE COMMUNITY COLLEGE DISTRICT

BALANCE SHEET

GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS

June 30, 2011

ASSETS

Cash in County Treasury	\$ 129,592,919
Accounts Receivable	<u>558,059</u>
TOTAL ASSETS	<u>\$ 130,150,978</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 6,767,767
Due to Other Funds	<u>216,271</u>
TOTAL LIABILITIES	<u>6,984,038</u>

FUND BALANCE

Restricted	<u>123,166,940</u>
TOTAL FUND BALANCE	<u>123,166,940</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 130,150,978</u>
---	------------------------------

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, 2011

REVENUES

Revenue from Local Sources

Local Revenues	\$ 204,800
Contributions	606,930
Interest and Investment Income	675,742

TOTAL REVENUES 1,487,472

EXPENDITURES

Classified Salaries	265,291
Benefits	114,931
Other Services	938,063
Capital Outlay	30,748,252

TOTAL EXPENDITURES 32,066,537

Deficiency of revenues over expenditures (30,579,065)

OTHER FINANCING SOURCES

Proceeds from Sale of Bonds 109,999,278

TOTAL OTHER FINANCING SOURCES 109,999,278

Excess of revenues over expenditures and other financing sources 79,420,213

Fund Balance at Beginning of Year 43,746,727

Fund Balance at End of Year \$ 123,166,940

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, 2011

	<u>Budget *</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenue from Local Sources			
Local Revenues	\$ 144,900	\$ 204,800	\$ 59,900
Contributions	1,052,277	606,930	(445,347)
Interest and Investment Income	900,000	675,742	(224,258)
TOTAL REVENUES	<u>2,097,177</u>	<u>1,487,472</u>	<u>(609,705)</u>
EXPENDITURES			
Classified Salaries	352,111	265,291	86,820
Benefits	167,381	114,931	52,450
Other Services	1,304,308	938,063	366,245
Capital Outlay	122,638,800	30,748,252	91,890,548
TOTAL EXPENDITURES	<u>124,462,600</u>	<u>32,066,537</u>	<u>92,396,063</u>
Deficiency of revenues over expenditures	<u>(122,365,423)</u>	<u>(30,579,065)</u>	<u>91,786,358</u>
OTHER FINANCING SOURCES			
Proceeds from Sale of Bonds	<u>110,000,000</u>	<u>109,999,278</u>	<u>(722)</u>
TOTAL OTHER FINANCING SOURCES			
Excess (Deficiency) of revenues over expenditures and Other financing sources	<u>\$ (12,365,423)</u>	79,420,213	<u>\$ 91,785,636</u>
Fund Balance at Beginning of Year		<u>43,746,727</u>	
Fund Balance at End of Year		<u>\$ 123,166,940</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, 2011**

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, 2011**

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

FUND BALANCE CLASSIFICATION

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Riverside Community College District General Obligation Bond Funded Capital Outlay Projects does not currently have any nonspendable fund balance.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Trustees. These amounts cannot be used for any other purpose unless the District Board of Trustees removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Riverside Community College District General Obligation Bond Funded Capital Outlay Projects does not currently have any committed fund balance.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. Riverside Community College District General Obligation Bond Funded Capital Outlay Projects does not currently have any assigned fund balance.

Unassigned: The residual fund balance and all other spendable amounts. Riverside Community College District General Obligation Bond Funded Capital Outlay Projects does not currently have any unassigned fund balance.

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

**NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011**

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, 2011 is:

<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</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	52,366,109		1,740,000	50,626,109
2007C	4.00-5.00%	2033	90,000,000	73,695,000		5,185,000	68,510,000
2010D	2.36-5.53%	2026	7,699,278		7,699,278		7,699,278
2010D-1	6.97-7.02%	2040	102,300,000		102,300,000		102,300,000
			<u>\$313,590,387</u>	<u>\$129,536,109</u>	<u>\$109,999,278</u>	<u>\$ 6,925,000</u>	<u>\$232,610,387</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011**

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, 2011, are as indicated below:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	15,000	29,156	44,156
2017-2021	105,000	132,313	237,313
2022-2026	195,000	94,444	289,444
2027-2030	245,000	28,675	273,675
	<u>\$ 3,475,000</u>	<u>\$ 669,188</u>	<u>\$4,144,188</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011**

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, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
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	898,045	2,298,250	2,031,955	5,228,250
2017-2021	20,195,000	9,193,625		29,388,625
2022-2025	25,770,000	2,733,750		28,503,750
	<u>\$ 50,626,109</u>	<u>\$ 23,430,874</u>	<u>\$ 6,593,891</u>	<u>\$ 80,650,874</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, 2011**

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, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
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		3,425,500	3,425,500
2017-2021		17,127,500	17,127,500
2022-2026	7,325,000	16,944,375	24,269,375
2027-2031	47,935,000	9,714,375	57,649,375
2032-2033	13,250,000	381,250	13,631,250
	<u>\$ 68,510,000</u>	<u>\$ 61,295,000</u>	<u>\$ 129,805,000</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011**

NOTE 3 – BONDED DEBT: (continued)

Series D & D-1

In October 2010, the District issued General Obligation Bonds, Series D and D-1 in the amount of \$109,999,278. These bonds consisted of \$7,699,278 tax-exempt Series D bonds and \$102,300,000 in federally taxable Build America Bonds Series D-1. The Build America Bonds program was created by the American Recovery and Reinvestment Act to assist state and local governments in financing capital projects at lower borrowing costs and to stimulate the economy and create jobs.

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

Debt service requirements for Series D Bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total</u>
2012	\$	\$	\$
2013			
2014			
2015			
2016	216,214	158,786	375,000
2017-2021	2,000,039	2,839,961	4,840,000
2022-2026	5,483,025	5,221,975	10,705,000
	<u>\$ 7,699,278</u>	<u>\$ 8,220,722</u>	<u>\$ 15,920,000</u>

Capital appreciation bonds were issued as part of the 2010 Series D issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing 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, 2011**

NOTE 3 – BONDED DEBT: (continued)

Series D & D-1 (continued)

Debt service requirements for Series D-1 Build America Bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$	\$ 5,194,040	\$ 5,194,040
2013		7,164,193	7,164,193
2014		7,164,193	7,164,193
2015		7,164,193	7,164,193
2016		7,322,979	7,322,979
2017-2021		38,660,926	38,660,926
2022-2026		41,042,939	41,042,939
2027-2031		35,820,965	35,820,965
2032-2036	36,580,000	32,191,862	68,771,862
2037-2040	65,720,000	14,559,448	80,279,448
	<u>\$ 102,300,000</u>	<u>\$ 196,285,738</u>	<u>\$ 298,585,738</u>

NOTE 4 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is a defendant in a pending liability lawsuit. At this early stage of the litigation and without concluding discovery, it is difficult to evaluate the likelihood of an unfavorable outcome. Any estimated possible judgment(s) against the District are unknown and are not reflected in these financial statements.

B. Purchase Commitments

As of June 30, 2011, the District was committed under various capital expenditure purchase agreements for bond projects in process totaling approximately \$86,713,000.



**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, 2011. 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

September 23, 2011

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

**FINANCIAL AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

There were no findings related to the financial audit of the General Obligation Bond Funded Capital Outlay Projects for the year ended June 30, 2011.

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



INDEPENDENT AUDITOR'S 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, 2011.

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 19 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, 2011 only for the specific projects developed by the District's Board of Trustees, and approved by the voters in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

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

September 23, 2011

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

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2011**

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, 2011**

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.
- Determine compliance with specific Education Code Sections related to oversight of bond expenditures.
- 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, 2010 to June 30, 2011. 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, 2011 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, 2011**

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, 2010 to June 30, 2011 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, 2011 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. In addition, we verified that funds held in the General Obligation Bond Funded Capital Outlay Projects — Measure C Bond Program were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

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

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2011**

CONCLUSION

The results of our tests indicated that, in all significant respects, the Riverside Community College District has properly accounted for the expenditures of the funds held in the Bond Funded Capital Outlay Projects — Measure C Bond Program and that such expenditures were made for authorized bond projects. Further, it was noted that the funds held in the Bond Funded Capital Outlay Projects — Measure C Bond Program and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

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

**PROPOSITION 39 PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

There were no findings related to the performance audit for the fiscal year ended June 30, 2011.

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

**PROPOSITION 39 PERFORMANCE AUDIT
STATUS OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2011**

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
BOND PROJECT SUMMARY
June 30, 2011**

The District has identified the following projects to be funded with proceeds from the general obligation bonds. The District incurred costs of \$156,666,555 through June 30, 2011 for these construction projects. Capital outlay and other financing expenditures were as follows:

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2010	2011 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2011
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	8,907,589	27,088	8,934,677
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	9,381,883	186,489	9,568,372
District Computer / Network / Phone Upgrades	1,351,043	1,306,498		1,306,498
Scheduled Maintenance - District Match for State Allocation	1,403,045	1,403,045		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	15,672,600	7,100,983	3,114,719	10,215,702
Phase III - Moreno Valley	5,393,265	645,284	673,001	1,318,285
Physical Education Phase II	11,170,751	1,036,664	4,947,801	5,984,465
Feasibility and Planning	837,554	497,233	265,378	762,611
Innovative Learning Center	7,653,605	7,285,373	114,037	7,399,410
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	2,381,777	272,560	2,654,337
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	8,516,205	8,416,204	15,157	8,431,361
ECS Upgrade/Retrofit Norco/MoVal	625,327	372,912	16,649	389,561
PBX Operations Center Riv/Nor/MV	20,366,826	1,231,886	321,812	1,553,698
Phys/Life Science 2ndary Effects StSvc	152,500	140,500	10,500	151,000
Norco Campus Student Support Center	19,883,352	13,270,716	2,321,795	15,592,511
Staff Costs	1,035,772	516,281	380,229	896,510
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	105,375	9,375	114,750
Aquatic Pool Project	11,028,683	4,743,120	6,056,471	10,799,591
Norco Soccer Field	3,946,658	3,871,658	(21,158)	3,850,500
Moreno Valley Parking Structure	31,800,000	2,013,768	2,904,007	4,917,775
Bradshaw Building Electrical	366,353	366,353		366,353

See Independent Auditor's Report.

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

**PROPOSITION 39 PERFORMANCE AUDIT
BOND PROJECT SUMMARY
June 30, 2011**

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2010	2011 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2011
Quad Basement Remodel	467,500	24,255	44,409	68,664
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	147,295	17,675	164,970
ADA Transition Plan	6,916,780	545,530	196,892	742,422
March Dental Education Center	10,700,181	81,669	4,853,135	4,934,804
Norco Secondary Effects Project	16,009,004	781,366	2,654,955	3,436,321
Utility Infrastructure Upgrade Project	7,000,000	429,933	26,393	456,326
Norco Campus Safety & Site Improvement Project	1,700,000	789,251	114,147	903,398
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	14,015	46,125
Riverside Interim Parking Lease	260,000	86,325	90,679	177,004
Moreno Valley Center for Human Performance	103,559	93,786	9,773	103,559
Riverside Cosmetology Building	139,000	110,400	25,600	136,000
Alumni Carriage House Restoration Project	130,000	2,035	17,647	19,682
District Wide IT Audit	5,840,000	4,900	173,706	178,606
District Culinary Arts / District Office Building	23,043,996		619,834	619,834
Parking Structure Fall Deterrent	20,300		7,576	7,576
Nursing Portables	1,300,694		705,338	705,338
Central Plant Boiler Project	161,848		161,847	161,847
DSA Project Closures	75,000		5,660	5,660
Scheduled Maintenance - New	840,000		390,367	390,367
Electronic Contract Document Storage	50,000			
2010 IPP/FPP District	61,200			
Program Contingency	1,230,500			
Program Reserve	10,699,306			
District Design Standards	185,000		40,500	40,500
Moreno Valley Learning Center	127,000		127,000	127,000
Student Services and Workforce Development Bldg	142,000			
Master Plan Updates	77,000		15,400	15,400
Swing Space - Market Street Properties	484,500		129,989	129,989
Groundwater Monitoring Wells	100,000		4,496	4,496
Total Capital Outlay	300,797,408	124,603,612	32,062,943	156,666,555
Series A Refunding Escrow	57,686,474	57,686,474		57,686,474
COPS Payoffs	11,582,875	11,582,873		11,582,873
Costs of issuance	2,839,859	2,836,264	3,594	2,839,858
Debt service	2,835,612	2,835,612		2,835,612
Election costs	98,236	98,236		98,236
Total Other Financing Uses	75,043,056	75,039,459	3,594	75,043,053
TOTALS	\$ 375,840,464	\$ 199,643,071	\$ 32,066,537	\$ 231,709,608

See Independent Auditor's Report.



October 13, 2011

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, 2011, 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, 2011 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.

Riverside Community College District
October 13, 2011
Page 2

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.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

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.

Uncorrected Misstatements

We accumulated no uncorrected misstatements for the fiscal year ended June 30, 2011.

Disagreement with Management

We are pleased to report that 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.

Management Representations

We have requested certain representations from management including but not limited to the fair presentation of the financial statements, application of generally accepted accounting principles and management's responsibility for establishing and maintaining effective internal controls. These as well as other representations are included in the management representation letter dated September 20, 2011.

Riverside Community College District
October 13, 2011
Page 3

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.

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.

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, 2011.

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.

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

In the prior year we communicated that there was not always representation on the committee from the seven constituencies required by Education Code Section 15282. We expressed support of the Board of Trustees and managements' efforts to maintain the committee as mandated. As of February 2011, all seven constituencies were represented.

It was also brought to our attention by a member of the Citizens' Bond Oversight Committee (CBOC) that some members are interested in becoming liaisons for the three colleges so that they can monitor facility construction activities more closely on the different colleges. This idea appears to have merit and may be worth further research and implementation.

Riverside Community College District
October 13, 2011
Page 4

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