

**RIVERSIDE COMMUNITY
COLLEGE DISTRICT**

RIVERSIDE COUNTY

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

JUNE 30, 2007

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JUNE 30, 2007

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*Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the accompanying financial statements of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the financial activity of the General Obligation Bond Funded Capital Outlay Projects and do not purport to, and do not, present fairly the financial position of the Riverside Community College District, as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District as of June 30, 2007, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Eadie and Payne, LLP

September 13, 2007

RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS
BALANCE SHEET
JUNE 30, 2007

ASSETS

Cash and cash equivalents	\$103,943,537
Accrued interest receivable	<u>216,481</u>

TOTAL ASSETS \$104,160,018

LIABILITIES

Accounts payable	<u>\$ 3,588,377</u>
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TOTAL LIABILITIES 3,588,377

FUND BALANCE

Restricted	<u>100,571,641</u>
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TOTAL FUND BALANCE 100,571,641

TOTAL LIABILITIES AND FUND BALANCE \$104,160,018

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

REVENUE

Revenue From Local Sources

Interest income	\$ 1,449,144
Other income	159,498

Total Revenue From Local Sources	1,608,642
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Total Revenue	1,608,642
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EXPENDITURES

Capital outlay	25,208,505
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Total Expenditures	25,208,505
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EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(23,599,863)
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OTHER FINANCING SOURCES

Proceeds from bonds	92,816,966
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Total Other Financing Sources	92,816,966
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OTHER FINANCING USES

Debt service	1,732,136
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Costs of issuance	1,084,830
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Total Other Financing Uses	2,816,966
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EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	66,400,137
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FUND BALANCE AT JULY 1, 2006	34,171,504
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FUND BALANCE AT JUNE 30, 2007	\$100,571,641
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The accompanying notes are an integral part of the financial statements.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. NATURE OF ACTIVITIES

These financial statements present only the financial activity of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District and do not purport to present the financial position or the changes in financial position of the Riverside Community College District. Debt service on the general obligation bonds is not included in these financial statements.

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.

Because Measure C was a bond election under Proposition 39, the District was obliged to establish a Citizens' Oversight Committee in order to satisfy the accountability requirements of Proposition 39. Regulated by the Ralph M. Brown Public Meetings Act, the committee reviews expenditure reports to ensure that a) bond proceeds are expended only for the purpose set forth in the ballot measure and b) no bond proceeds are used for any teacher or nonconstruction-related administrative salaries or operating expenses.

In August 2004, the District issued the General Obligation Bonds, Series A and B in the amounts of \$55,205,000 and \$9,795,000, respectively. 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). The Series B Bonds were issued to advance refund the District's outstanding Certificates of Participation (2001 Refunding Project) Series B.

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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

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

B. Basis of Accounting

The activity of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District is maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, that is, 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).

The statement of revenues, expenditures, and changes in fund balance is a statement of financial activities of the General Obligation Bond Funded Capital Outlay Projects related to the current reporting period. Expenditures of the fund frequently include amounts for land, buildings, equipment, debt service, and transfers to other funds. Consequently, these statements do not purport to present the results of operations or the net income or loss for the period as would a statement of income for a for-profit-type organization.

C. Cash and Cash Equivalents

The District considers all highly liquid investments with an initial maturity of three months or less, from the date of acquisition, to be cash equivalents. Funds invested in the County treasurer's investment pool are considered cash equivalents. In the current year, the County invested a portion of the District's General Obligation Bond funds in a fixed-interest investment; the funds remain highly liquid to the District and are considered cash equivalents. Cash in the County treasury is recorded at cost, which approximates fair value.

3. CONSTRUCTION COMMITMENTS

As of June 30, 2007, the District had commitments of \$47,359,994 with respect to unfinished general obligation bond funded capital projects.

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Riverside Community College District
Riverside, California

In connection with our audit, we have examined the Riverside Community College District's compliance with the performance requirements for the Proposition 39 General Obligation Bonds for the year ended June 30, 2007. Management is responsible for the Riverside Community College District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Riverside Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Riverside Community College District's compliance with specified requirements.

In our opinion, the Riverside Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2007.

September 13, 2007

Eadie and Payne, LLP

**RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS
PROPOSITION 39 PERFORMANCE AUDIT
PROCEDURES PERFORMED
JUNE 30, 2007**

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2007 for the General Obligation Bond Funded Capital Outlay Projects. We obtained the actual invoices and other supporting documentation for expenditures on a sample basis to test compliance with Proposition 39. We performed the following procedures:

- We reviewed the ballot proposition of the Riverside Community College District bond measure outlining the projects to be funded from the bond proceeds.
- We selected expenditures during the period July 1, 2006 to June 30, 2007 for testing on a sample basis. We reviewed supporting documentation for items selected to ensure that funds were properly expended on the specific projects approved by the Board of Trustees and that these projects were in conformity with the ballot text.
- We compared total expenditures to date for each project to budgets for each project.
- We also verified that funds were generally used for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, and we verified that funding was not spent for teacher or nonconstruction-related administrative salaries or other school operating expenses.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS
BOND PROJECT SUMMARY
JUNE 30, 2007**

The District has identified the following projects to be funded with proceeds from the general obligation bonds. The District incurred costs of \$55,671,846 through June 30, 2007 for these construction projects. Capital outlay and other financing expenditures were as follows:

	<u>BUDGET</u>	<u>TOTAL PROJECT COSTS THROUGH JUNE 30, 2006</u>	<u>2007 ACTUAL COSTS</u>	<u>TOTAL PROJECT COSTS THROUGH JUNE 30, 2007</u>
Parking Structure - Riverside	\$ 20,949,896	\$ 13,762,249	\$ 7,166,749	\$ 20,928,998
PE Complex/Athletic Field Phase I - Riverside	4,516,435	4,514,948	1,487	4,516,435
Swing Space	3,958,308	3,922,232	36,076	3,958,308
Quad Moderization Project	8,735,238	1,388,091	4,504,052	5,892,143
RCC System Office - Purchase Option	2,629,982	2,629,982	-	2,629,982
Bridge Space Project	1,175,132	1,175,132	-	1,175,132
Phase III - Moreno Valley - Initial Planning	1,157,320	123,879	389,396	513,275
Phase III - Norco - Planning and Working Drawings	10,147,826	367,197	536,692	903,889
MLK Renovation	1,010,614	1,010,614	-	1,010,614
District Computer/Network/Phone Upgrades	625,990	532,444	-	532,444
Scheduled Maintenance - District Match for State Allocation	632,603	340,075	292,528	632,603
Nursing/Sciences Building - Riverside - Initial Planning	5,082,686	151,192	1,153,404	1,304,596
Riverside Business and Admin. Building Remodel	315,425	315,425		315,425
Physical Education Phase II	190,631	178,298	12,333	190,631
Feasibility and Planning	105,150	45,000	58,228	103,228
Center for Primary Education	7,653,605	6,583	4,244,404	4,250,987
Norco Campus Room Renovations	100,020		100,019	100,019
Moreno Valley Secondary Effects	288,919		276,348	276,348
Riverside Food Services Remodel	583,070		25,813	25,813
MoVal Food Services Remodel	1,956,615		71,050	71,050
Infrastructure Studies Project	484,451		465,696	465,696
Moreno Valley Hot Water Loop Sys.	891,296		153,541	153,541
Emergency Phones Installation Proj.	379,717		379,717	379,717
Noresco Utility Retrofit Improvement	6,176,094		3,202,172	3,202,172
Modular Redistribution Norco/MoVal/BC/Riv	7,494,328		1,144,862	1,144,862
ECS Upgrade/Retrofit Norco/MoVal	625,327		56,467	56,467
PBX Operations Center Riv/Nor/MV	500,000		27,212	27,212
Phys/Life Science Secondary Effects StSvc	32,500		32,500	32,500

BOND PROJECT SUMMARY (Continued)

	<u>BUDGET</u>	<u>TOTAL PROJECT COSTS THROUGH JUNE 30, 2006</u>	<u>2007 ACTUAL COSTS</u>	<u>TOTAL PROJECT COSTS THROUGH JUNE 30, 2007</u>
Norco Campus Student Support Center	\$ 11,042,820		\$ 58,437	\$ 58,437
Logic Domain CPMX	96,000		71,000	71,000
Facilities Planning Specialist/Accounting	66,432		66,432	66,432
Long Range Master Plan Project	1,460,384		619,115	619,115
Construction Management Svcs	<u>102,598</u>	<u>-</u>	<u>62,775</u>	<u>62,775</u>
Total Capital Outlay	<u>101,167,412</u>	<u>\$ 30,463,341</u>	<u>25,208,505</u>	<u>55,671,846</u>
Payment to refunded bond escrow agent	69,269,347	69,269,347		69,269,347
Costs of issuance	2,836,264	1,751,434	1,084,830	2,836,264
Debt service	2,835,612	1,103,476	1,732,136	2,835,612
Election costs	<u>98,236</u>	<u>98,236</u>	<u>-</u>	<u>98,236</u>
Total Other Financing Uses	<u>75,039,459</u>	<u>72,222,493</u>	<u>2,816,966</u>	<u>75,039,459</u>
TOTALS	<u>\$ 176,206,871</u>	<u>\$ 102,685,834</u>	<u>\$ 28,025,471</u>	<u>\$ 130,711,305</u>

**RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS
PROPOSITION 39 PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

There were no findings and questioned costs related to the audits of the General Obligation Bonds for the year ended June 30, 2007.