

## Agenda Item (VIII-D-2)

Meeting	11/20/2012 - Regular
Agenda Item	Committee - Resources (VIII-D-2)
Subject	2011-2012 Proposition 39 Financial and Performance Audits
College/District	District
Funding	N/A
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, 2012 for the permanent file of the District.

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### Background Narrative:

Background information relative to the 2011-2012 Proposition 39 independent financial and performance audits of the District's Measure C general obligation bonds is attached.

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

### Attachments:

[2011-2012 Proposition 39 Financial and Performance Audits Background Information](#)

## **2012-2012 Proposition 39 Financial and Performance Audits November 20, 2012**

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 11, 2012. 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, 2012, 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, 2012 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, 2012.

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**RIVERSIDE COUNTY**

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

**June 30, 2012**

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2012**

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**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, 2012. 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, 2012, 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 27, 2012 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 27, 2012

**RIVERSIDE COMMUNITY COLLEGE DISTRICT**

**BALANCE SHEET**

**GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS**

**June 30, 2012**

**ASSETS**

Cash in County Treasury	\$ 90,583,545
Accounts Receivable	146,585
Due from Other Funds	1,335
<b>TOTAL ASSETS</b>	<b>\$ 90,731,465</b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable	\$ 4,428,838
Due to Other Funds	27,382
<b>TOTAL LIABILITIES</b>	<b>4,456,220</b>

**FUND BALANCE**

Restricted	86,275,245
<b>TOTAL FUND BALANCE</b>	<b>86,275,245</b>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 90,731,465</b>
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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, 2012**

**REVENUES**

**Revenue from Local Sources**

Contributions	\$ 101,048
Interest and Investment Income	496,430

<b>TOTAL REVENUES</b>	<u>597,478</u>
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**EXPENDITURES**

Classified Salaries	283,960
Benefits	106,894
Other Services	825,239
Capital Outlay	36,273,080

<b>TOTAL EXPENDITURES</b>	<u>37,489,173</u>
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Deficiency of revenues over expenditures	(36,891,695)
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Fund Balance at Beginning of Year	<u>123,166,940</u>
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Fund Balance at End of Year	<u>\$ 86,275,245</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  
 BUDGET AND ACTUAL  
 GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS  
 For the Fiscal Year Ended June 30, 2012**

	<u>Budget *</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
<b>Revenue from Local Sources</b>			
Contributions	\$ -	\$ 101,048	\$ 101,048
Interest and Investment Income	<u>585,000</u>	<u>496,430</u>	<u>(88,570)</u>
<b>TOTAL REVENUES</b>	<u>585,000</u>	<u>597,478</u>	<u>12,478</u>
<b>EXPENDITURES</b>			
Classified Salaries	479,180	283,960	195,220
Benefits	219,974	106,894	113,080
Other Services	854,128	825,239	28,889
Capital Outlay	<u>116,136,585</u>	<u>36,273,080</u>	<u>79,863,505</u>
<b>TOTAL EXPENDITURES</b>	<u>117,689,867</u>	<u>37,489,173</u>	<u>80,200,694</u>
Deficiency of revenues over expenditures	<u>\$ (117,104,867)</u>	(36,891,695)	<u>\$ 80,213,172</u>
Fund Balance at Beginning of Year		<u>123,166,940</u>	
Fund Balance at End of Year		<u>\$ 86,275,245</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, 2012**

**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, 2012**

**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, 2012**

**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 - DEPOSITS – CASH IN COUNTY TREASURY:**

In accordance with Education Code Section 41001, the District maintains all of its cash in the Riverside County Treasury as part of the common investment pool. These pooled funds are carried at cost which may differ from fair value. The fair market value of the District’s deposits for the General Obligation Bond Funded Capital Outlay Projects in this pool as of June 30, 2012, as provided by the pool sponsor, was \$90,474,845.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

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

**NOTE 4 – 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, 2012 is:

<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2011</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2012</u>
2004A	4.00-5.25%	2030	\$ 55,205,000	\$ 3,475,000	\$	\$ 500,000	\$ 2,975,000
2005 Refunding	3.00-5.00%	2025	58,386,109	50,626,109		1,252,016	49,374,093
2007C	4.00-5.00%	2033	90,000,000	68,510,000			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>\$ 232,610,387</u>	<u>\$ -</u>	<u>\$ 1,752,016</u>	<u>\$ 230,858,371</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 4 – 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, 2012, are as indicated below:

<b><u>Year Ended June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2013	\$ 620,000	\$ 113,675	\$ 733,675
2014	795,000	85,375	880,375
2015	1,000,000	49,475	1,049,475
2016	15,000	29,156	44,156
2017	15,000	28,463	43,463
2018-2022	120,000	126,650	246,650
2023-2027	215,000	83,681	298,681
2028-2030	195,000	16,638	211,638
	<b><u>\$ 2,975,000</u></b>	<b><u>\$ 533,113</u></b>	<b><u>\$ 3,508,113</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 4 – 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, 2012, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Accreted Interest Component</b>	<b>Total</b>
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	3,165,000	2,219,125		5,384,125
2018-2022	22,555,000	8,124,875		30,679,875
2023-2025	20,245,000	1,583,375		21,828,375
	<u>\$ 49,374,093</u>	<u>\$ 21,120,375</u>	<u>\$ 6,015,907</u>	<u>\$ 76,510,375</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, 2012**

**NOTE 4 – 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, 2012, are as follows:

<b><u>Year Ended June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2013	\$	\$ 3,425,500	\$ 3,425,500
2014		3,425,500	3,425,500
2015		3,425,500	3,425,500
2016		3,425,500	3,425,500
2017		3,425,500	3,425,500
2018-2022		17,127,500	17,127,500
2023-2027	15,340,000	16,377,750	31,717,750
2028-2032	52,170,000	7,211,750	59,381,750
2033	1,000,000	25,000	1,025,000
	<b><u>\$ 68,510,000</u></b>	<b><u>\$ 57,869,500</u></b>	<b><u>\$ 126,379,500</u></b>



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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 4 – BONDED DEBT: (continued)**

**Series D & D-1**

In October 2011, 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:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Accreted Interest</b>	<b>Total</b>
2013	\$	\$	\$
2014			
2015			
2016	216,214	158,786	375,000
2017	292,495	277,505	570,000
2018-2022	2,653,403	3,176,597	5,830,000
2023-2026	4,537,166	4,607,834	9,145,000
	<u>\$ 7,699,278</u>	<u>\$ 8,220,722</u>	<u>\$ 15,920,000</u>

Capital appreciation bonds were issued as part of the 2011 Series D 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, 2012**

**NOTE 4 – BONDED DEBT: (continued)**

**Series D & D-1 (continued)**

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

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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		7,441,697	7,441,697
2018-2022		38,997,562	38,997,562
2023-2027		40,428,798	40,428,798
2028-2032	760,000	35,820,965	36,580,965
2033-2037	46,980,000	29,641,871	76,621,871
2038-2040	54,560,000	9,945,247	64,505,247
	<u>\$ 102,300,000</u>	<u>\$ 191,091,698</u>	<u>\$ 293,391,698</u>

**NOTE 5 – 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, 2012, the District was committed under various capital expenditure purchase agreements for bond projects in process totaling approximately \$70,159,000.



**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, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Riverside Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our 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 27, 2012

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

**FINANCIAL AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2012**

There were no findings related to the financial audit of the General Obligation Bond Funded Capital Outlay Projects for the years ended June 30, 2012, and June 30, 2011.

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



**INDEPENDENT AUDITOR'S REPORT  
ON PROPOSITION 39 GENERAL OBLIGATION  
BOND FUNDED CAPITAL OUTLAY PROJECTS  
COMPLIANCE REQUIREMENTS**

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, 2012.

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 20 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.

Management of Riverside Community College District is responsible for establishing and maintaining effective internal control. 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, 2012 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 27, 2012

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

**PROPOSITION 39 PERFORMANCE AUDIT  
June 30, 2012**

**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, 2012**

**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, 2011 to June 30, 2012. 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, 2012 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, 2012**

**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, 2011 to June 30, 2012 for the General Obligation Bond Funded Capital Outlay Projects — Measure C Bond Program. We also reviewed documentation, including the District website, for Compliance with Education Code Sections 15278-15282. 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 with regards to the approved bond projects list and 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, 2012 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, 2012**

**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, 2012**

There were no findings related to the performance audit for the fiscal years ended June 30, 2012, and June 30, 2011.

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

**PROPOSITION 39 PERFORMANCE AUDIT  
BOND PROJECT SUMMARY  
June 30, 2012**

The District has identified the following projects to be funded with proceeds from the general obligation bonds. The District incurred costs of \$194,155,728 through June 30, 2012 for these construction projects. Capital outlay and other financing expenditures were as follows:

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2011	2012 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2012
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	8,934,677	50,890	8,985,567
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	9,620,416	9,568,372	146,977	9,715,349
District Computer / Network / Phone Upgrades	1,351,043	1,306,498	36,668	1,343,166
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	18,272,600	10,215,702	5,800,395	16,016,097
Phase III - Moreno Valley	5,393,265	1,318,285	1,148,530	2,466,815
Physical Education Phase II	13,738,332	5,984,465	7,328,861	13,313,326
Feasibility and Planning	1,171,554	762,611	286,867	1,049,478
Innovative Learning Center	7,399,505	7,399,410	95	7,399,505
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	2,654,335	2,654,337	(4,729)	2,649,608
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	8,431,362	8,431,361		8,431,361
ECS Upgrade/Retrofit Norco/MoVal	389,561	389,561		389,561
PBX Operations Center Riv/Nor/MV	15,227,201	1,553,698	1,137,227	2,690,925
Phys/Life Science Secondary Effects StSvc	152,500	151,000	1,500	152,500
Norco Campus Student Support Center	15,635,918	15,592,511	2,406	15,594,917
Staff Costs	1,588,166	896,510	338,009	1,234,519
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	114,750	9,375	124,125
Aquatic Pool Project	11,028,683	10,799,591	19,286	10,818,877
Norco Soccer Field	3,904,973	3,850,500	28,814	3,879,314
Moreno Valley Parking Structure	5,269,307	4,917,775	175,312	5,093,087
Bradshaw Building Electrical	366,353	366,353		366,353

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

**PROPOSITION 39 PERFORMANCE AUDIT  
BOND PROJECT SUMMARY  
June 30, 2012**

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2011	2012 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2012
Quad Basement Remodel	467,500	68,664	284,277	352,941
Black Box Theatre Remodel	10,955	10,955		10,955
Technology Building - A	11,375	11,375		11,375
Center for Health, Wellness and Kinesiology	83,000	83,000		83,000
Health Science Center	164,971	164,970		164,970
ADA Transition Plan	6,360,000	742,422	200,548	942,970
March Dental Education Center	10,700,181	4,934,804	4,923,292	9,858,096
Norco Secondary Effects Project	16,044,292	3,436,321	10,516,574	13,952,895
Utility Infrastructure Upgrade Project	6,200,000	456,326	262,623	718,949
Norco Campus Safety & Site Improvement Project	967,442	903,398	64,044	967,442
Moreno Valley Campus Safety & Site Improvement Project	719,827	719,827		719,827
Moreno Valley Campus Administrative Move to Humanities	25,990	25,990		25,990
Moreno Valley Campus Science Laboratories Remodel	500,000	143,425	44,335	187,760
Ben Clark Public Safety Training Center Project	84,500	46,125	7,000	53,125
Riverside Interim Parking Lease	177,023	177,004	19	177,023
Moreno Valley Center for Human Performance	103,559	103,559		103,559
Riverside Cosmetology Building	139,000	136,000	3,000	139,000
Alumni Carriage House Restoration Project	150,000	19,682	94,547	114,229
District Wide IT Audit	5,840,000	178,606	1,129,880	1,308,486
District Culinary Arts / District Office Building	32,866,261	619,834	1,898,558	2,518,392
Parking Structure Fall Deterrent	7,576	7,576		7,576
Nursing Portables	705,338	705,338		705,338
Central Plant Boiler Project	161,848	161,847		161,847
DSA Project Closures	75,000	5,660	1,774	7,434
Scheduled Maintenance - New	1,680,000	390,367	601,558	991,925
Electronic Contract Document Storage	50,000			
2010 IPP/FPP District	647,200			
Program Contingency	4,242,897			
Program Reserve	6,656,746			
District Design Standards	355,000	40,500	259,479	299,979
Moreno Valley Learning Center	127,000	127,000		127,000
Student Services and Workforce Development Bldg.	27,730,875			
Lovekin Parking/Tennis Project	3,378,125			
Food Services "grab-n-go" Facility Project	891,000			
Master Plan Updates	927,000	15,400	111,675	127,075
Swing Space - Market Street Properties	484,500	129,989	125,078	255,067
Groundwater Monitoring Wells	100,000	4,496	60,430	64,926
Emergency Phone Project - Moreno Valley	450,000		280,379	280,379
Self-Generation Incentive Program- Norco	10,000		9,000	9,000
Physicians Assistant Laboratory Remodel - Moreno Valley	120,000		7,720	7,720
Visual and Performing Arts Center - Norco	114,000		96,900	96,900
Audio Visual Upgrade Project - Moreno Valley	200,000			
Mechanical Upgrade Project - Moreno Valley	875,000			

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

**PROPOSITION 39 PERFORMANCE AUDIT  
 BOND PROJECT SUMMARY  
 June 30, 2012**

	<u>BUDGET</u>	<u>TOTAL PROJECT COSTS THROUGH June 30, 2011</u>	<u>2012 ACTUAL COSTS</u>	<u>TOTAL PROJECT COSTS THROUGH June 30, 2012</u>
Coil School for the Arts	24,280,000			
Coil School for the Arts - Parking Structure	1,456,076			
<b>Total Capital Outlay</b>	<u>334,889,630</u>	<u>156,666,555</u>	<u>37,489,173</u>	<u>194,155,728</u>
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	2,839,858		2,839,858
Debt service	2,835,612	2,835,612		2,835,612
Election costs	98,236	98,236		98,236
<b>Total Other Financing Uses</b>	<u>75,043,056</u>	<u>75,043,053</u>	<u>-</u>	<u>75,043,053</u>
<b>TOTALS</b>	<u>\$ 409,932,686</u>	<u>\$ 231,709,608</u>	<u>\$ 37,489,173</u>	<u>\$ 269,198,781</u>



October 11, 2012

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, 2012, 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, 2012 was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. 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.

### **Qualitative Aspects of Accounting Practices**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to

2210 E. Route 66, Suite 100, Glendora, CA 91740

Tel 626.857.7300 | Fax 626.857.7302 | E-Mail [INFO@VLSLLP.COM](mailto:INFO@VLSLLP.COM) | Web [WWW.VLSLLP.COM](http://WWW.VLSLLP.COM)



Riverside Community College District  
October 11, 2012  
Page 2

your attention for approval. No significant or unusual transactions or significant accounting policies related to controversial or emerging areas for which there is a lack of authoritative guidance or consensus were noted. All significant transactions have been recognized in the financial statements in the proper period.

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.

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

#### **Difficulties Encountered in Performing the Audit**

There were no difficulties encountered in dealing with management in performing and completing both the financial and performance audits.

#### **Corrected and Uncorrected Misstatements**

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

We accumulated no uncorrected misstatements for the fiscal year ended June 30, 2012.

#### **Disagreement with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the audit report. 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.

#### **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 27, 2012.

Riverside Community College District  
October 11, 2012  
Page 3

### **Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. 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 an Annual Report, we have a responsibility to determine that such financial information is not materially inconsistent with the audited statements of the General Obligation Bond Funded Capital Outlay Projects.

### **Other Audit Findings or Issues**

No management letter was issued related to the audit of the General Obligation Bond Funded Capital Outlay Projects for the year ended June 30, 2012.

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

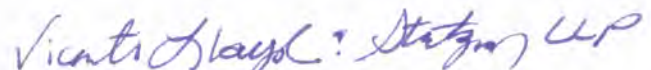
### **Independence**

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

### **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