

Agenda Item (VIII-D-2)

Meeting	11/19/2013 - Regular
Agenda Item	Committee - Resources (VIII-D-2)
Subject	2012-2013 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, 2013 for the permanent file of the District.

Background Narrative:

Background information relative to the 2012-2013 Proposition 39 independent financial and performance audits of the District's Measure C general obligation bonds is attached.

Prepared By: Aaron Brown, Vice Chancellor, Business and Financial Services
Bill Bogle, Controller

Attachments:

[11192013_2012-2013 Proposition 39 Financial and Performance Audits Background Information](#)

2012-2013 Proposition 39 Financial and Performance Audits November 19, 2013

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 (VLS). The audit report was presented to the Citizens Bond Oversight Committee at its regularly scheduled meeting on October 10, 2013. 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 respective financial position of the General Obligation Bond Funded Capital Outlay Projects of the District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America."

Performance Audit - "The results of our tests indicated that, in all significant respects, the District expended Measure C General Obligation Bond funds for the year ended June 30, 2013 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 and Sections 15624 and 15272 – 15286 of the California Education Code."

Audit Findings

There were no findings or questioned costs related to the financial and performance audits of the Measure C general obligation bonds for the year ended June 30, 2013 and June 30, 2012.

Auditor's Required Communication – Audit Completion

In accordance with the Statement on Auditing Standards No. 114, at the conclusion of the audit engagement VLS is required to communicate information to the Board of Trustees regarding their responsibility under United States Generally Accepted Auditing Standards. Attached for your information is the required communication issued by VLS.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RIVERSIDE COUNTY

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

June 30, 2013

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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

June 30, 2013

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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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's General Obligation Bond Funded Capital Outlay Projects financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Obligation Bond Funded Capital Outlay Projects of the District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

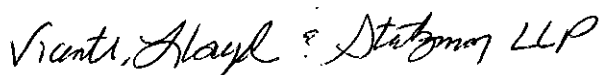
In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2013 on our consideration of the District's internal control over General Obligation Bond Funded Capital Outlay Projects financial reporting and on our tests of its compliance with certain provisions 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* in considering the District's internal control over the General Obligation Bond Funded Capital Outlay Projects financial reporting and compliance.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the District's General Obligation Bond Funded Capital Outlay Projects financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
September 26, 2013

RIVERSIDE COMMUNITY COLLEGE DISTRICT
BALANCE SHEET
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS
June 30, 2013

Assets

Cash in county treasury	\$ 63,244,178
Accounts receivable	40,048
Due from other funds	<u>27,288</u>
Total Assets	<u>\$ 63,311,514</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 2,756,353
Due to other funds	<u>65,036</u>
Total Liabilities	<u>2,821,389</u>

Fund Balance

Restricted	<u>60,490,125</u>
Total Fund Balance	<u>60,490,125</u>
Total Liabilities and Fund Balance	<u>\$ 63,311,514</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, 2013

Revenues	
Contributions	\$ 233,975
Interest and investment income	<u>252,357</u>
Total Revenues	<u>486,332</u>
Expenditures	
Classified salaries	402,300
Benefits	174,427
Supplies	635
Other services	623,243
Capital outlay	<u>25,070,847</u>
Total Expenditures	<u>26,271,452</u>
Net change in fund balance	(25,785,120)
Fund Balance at Beginning of Year	<u>86,275,245</u>
Fund Balance at End of Year	<u>\$ 60,490,125</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
BUDGET AND ACTUAL
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS
For the Fiscal Year Ended June 30, 2013**

	<u>Budget *</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Contributions	\$ 1,260,284	\$ 233,975	\$ (1,026,309)
Interest and investment income	460,000	252,357	(207,643)
Total Revenues	<u>1,720,284</u>	<u>486,332</u>	<u>(1,233,952)</u>
Expenditures			
Classified salaries	518,651	402,300	116,351
Benefits	246,505	174,427	72,078
Supplies	635	635	-
Other services	653,998	623,243	30,755
Capital outlay	<u>140,371,537</u>	<u>25,070,847</u>	<u>115,300,690</u>
Total Expenditures	<u>141,791,326</u>	<u>26,271,452</u>	<u>115,519,874</u>
 Net change in fund balance	 <u>\$ (140,071,042)</u>	 (25,785,120)	 <u>\$ 114,285,922</u>
 Fund Balance at Beginning of Year		 <u>86,275,245</u>	
 Fund Balance at End of Year		 <u>\$ 60,490,125</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, 2013**

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, this statement does 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 titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

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

FUND BALANCE CLASSIFICATION

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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. 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 are considered restricted. The fund balance of the General Obligation Bond Funded Capital Outlay Projects is therefore classified as restricted.

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 are determined by its measurement focus. The General Obligation Bond Funded Capital Outlay Projects is 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.

ESTIMATES

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

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

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 amortized cost which approximates fair value. The fair value of the District's deposits for the General Obligation Bond Funded Capital Outlay Projects in this pool as of June 30, 2013, as provided by the County Treasurer, was \$63,059,955, based on the District's pro-rata share of the fair value for the entire portfolio.

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.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excess 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 District at June 30, 2013 is:

<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
2004A	4.00-5.25%	2030	\$ 55,205,000	\$ 2,975,000	\$	\$ 620,000	\$ 2,355,000
2005 Refunding	3.00-5.00%	2025	58,386,109	49,374,093		876,061	48,498,032
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>\$ 230,858,371</u>	<u>\$ -</u>	<u>\$ 1,496,061</u>	<u>\$ 229,362,310</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

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 all Series A Bonds payable, outstanding as of June 30, 2013, are as follows:

Year Ended June 30,	Principal	Interest	Total
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	20,000	27,588	47,588
2019-2023	135,000	120,155	255,155
2024-2028	180,000	71,663	251,663
2029-2030	195,000	7,563	202,563
	<u>\$ 2,355,000</u>	<u>\$ 419,438</u>	<u>\$ 2,774,438</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

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, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
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	3,570,000	2,050,750		5,620,750
2019-2023	25,090,000	6,933,750		32,023,750
2024-2025	14,140,000	723,750		14,863,750
	<u>\$ 48,498,032</u>	<u>\$ 18,822,125</u>	<u>\$ 4,876,968</u>	<u>\$ 72,197,125</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, 2013**

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, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		3,425,500	3,425,500
2019-2023		17,127,500	17,127,500
2024-2028	24,080,000	15,392,250	39,472,250
2029-2033	44,430,000	4,796,750	49,226,750
	<u>\$ 68,510,000</u>	<u>\$ 54,444,000</u>	<u>\$ 122,954,000</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

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. The annual requirements to amortize Series D Bonds payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total</u>
2014	\$	\$	\$
2015			
2016	216,214	158,786	375,000
2017	292,495	277,505	570,000
2018	349,375	415,625	765,000
2019-2023	3,306,796	3,533,204	6,840,000
2024-2026	3,534,398	3,835,602	7,370,000
	<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 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, 2013**

NOTE 4 – BONDED DEBT: (continued)

Series D & D-1 (continued)

The annual requirements to amortize Series D-1 Build America Bonds payable, outstanding as of June 30, 2013, are as follows:

Year Ended June 30,	Principal	Interest	Total
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		7,579,818	7,579,818
2019-2023		39,354,169	39,354,169
2024-2028		39,656,567	39,656,567
2029-2033	8,165,000	35,767,985	43,932,985
2034-2038	51,670,000	26,361,315	78,031,315
2039-2040	42,465,000	6,114,589	48,579,589
	<u>\$ 102,300,000</u>	<u>\$ 183,927,505</u>	<u>\$ 286,227,505</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various claims and legal actions related to various construction projects. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's General Obligation Bond Funded Capital Outlay Projects financial statements

B. Purchase Commitments

As of June 30, 2013, the District was committed under various capital expenditure purchase agreements for bond projects in process totaling approximately \$104,850,000.



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

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

We have audited, 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, 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 (the District), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the General Obligation Bond Funded Capital Outlay Projects basic financial statements, and have issued our report thereon dated September 26, 2013.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
September 26, 2013

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

**FINANCIAL AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

There were no findings related to the financial audit of the General Obligation Bond Funded Capital Outlay Projects for the fiscal years ended June 30, 2013, and June 30, 2012.

**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 fiscal year ended June 30, 2013.

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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 19 of this report which includes determining the 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 Sections 15624 and 15272 – 15286 of the California Education Code as they apply to the Bonds and the net proceeds thereof. Management is responsible for the 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 the 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 and Sections 15624 and 15272 – 15286 of the California Education Code. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure C General Obligation Bond funds for the fiscal year ended June 30, 2013, 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 and Sections 15624 and 15272 – 15286 of the California Education Code.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
September 26, 2013

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

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2013**

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, 2013**

OBJECTIVES

The objectives of our Performance Audit were to:

- Determine the expenditures charged to the Riverside Community College District Measure C General Obligation Bond Funded Capital Outlay Projects.
- Determine whether expenditures charged to the Measure C General Obligation Bond Funded Capital Outlay Projects have been made in accordance with the bond project list approved by the voters through the approval of Measure C in March 2004.
- Note incongruities, system weaknesses, or non-compliance with specific California Education Code sections related to bond oversight 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 fiscal period from July 1, 2012 to June 30, 2013. The sample of expenditures tested included 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, 2013, 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, 2013**

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2013 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 15624 and 15272 – 15286. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure C with regards 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, 2013 and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified on a sample basis that funds from the General Obligation Bond Funded Capital Outlay Projects — Measure C Bond Program were expended on 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, 2013**

CONCLUSION

The results of our tests indicated that, in all significant respects, the 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, 2013**

There were no findings related to the performance audit for the fiscal year ended June 30, 2013.

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

**PROPOSITION 39 PERFORMANCE AUDIT
BOND PROJECT SUMMARY
June 30, 2013**

The District has identified the following projects to be funded with proceeds from the general obligation bonds. The District incurred costs of \$220,427,180 through June 30, 2013 for these construction projects. Capital outlay and other financing expenditures were as follows:

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2012	2013 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2013
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	8,985,567	185,956	9,171,523
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	9,715,349		9,715,349
District Computer / Network / Phone Upgrades	1,351,043	1,343,166	7,887	1,351,053
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	16,016,097	278,463	16,294,560
Phase III - Moreno Valley	7,044,265	2,466,815	2,249,619	4,716,434
Physical Education Phase II	13,738,332	13,313,326	(206,423)	13,106,903
Feasibility and Planning	1,620,777	1,049,478	298,432	1,347,910
Innovative Learning Center	7,399,505	7,399,505		7,399,505
Moreno Valley Secondary Effects	286,227	286,226		286,226
Norco Campus Room Renovations	100,019	100,019		100,019
Riverside Food Services Remodel	987,705	987,705		987,705
Moreno Valley Food Services Remodel	2,654,335	2,649,608		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	(5,500)	8,425,861
ECS Upgrade/Retrofit Norco/MoVal	389,561	389,561		389,561
PBX Operations Center Riv/Nor/MV	15,227,201	2,690,925	8,970,080	11,661,005
Phys/Life Science Secondary Effects StSvc	152,500	152,500		152,500
Norco Campus Student Support Center	15,635,918	15,594,917	38,956	15,633,873
Staff Costs	1,792,889	1,234,519	558,372	1,792,891
Long Range Master Plan Project	1,439,077	1,439,077		1,439,077
Construction Management Services	210,331	210,331		210,331
Logic Domain CPMX	162,375	124,125	12,750	136,875
Aquatic Pool Project	11,028,683	10,818,877	15,099	10,833,976
Norco Soccer Field	3,904,973	3,879,314	25,659	3,904,973
Moreno Valley Parking Structure	5,269,307	5,093,087	(34,813)	5,058,274
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, 2013**

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2012	2013 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2013
Quad Basement Remodel	467,500	352,941		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	86,500	83,000	3,500	86,500
Health Science Center	164,971	164,970		164,970
ADA Transition Plan	6,360,000	942,970	2,570,108	3,513,078
March Dental Education Center	9,914,549	9,858,096	20,349	9,878,445
Norco Secondary Effects Project	16,044,292	13,952,895	1,611,046	15,563,941
Utility Infrastructure Upgrade Project	6,585,632	718,949	1,266,401	1,985,350
Norco Campus Safety & Site Improvement Project	967,442	967,442		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	187,760	114,781	302,541
Ben Clark Public Safety Training Center Project	84,500	53,125		53,125
Riverside Interim Parking Lease	177,023	177,023		177,023
Moreno Valley Center for Human Performance	112,009	103,559	8,450	112,009
Riverside Cosmetology Building	142,500	139,000	3,500	142,500
Alumni Carriage House Restoration Project	150,000	114,229	7,284	121,513
District Wide IT Audit	5,840,000	1,308,486	401,264	1,709,750
District Culinary Arts / District Office Building	32,866,261	2,518,392	1,133,039	3,651,431
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	7,434	7,434	(144)	7,290
Scheduled Maintenance - New	2,520,000	991,925	898,405	1,890,330
Electronic Contract Document Storage	50,000			
2010 IPP/FPP District	334,550			
Program Contingency	4,856,746			
Program Reserve	4,310,463			
District Design Standards	355,000	299,979	35,806	335,785
Moreno Valley Learning Center	127,000	127,000		127,000
Student Services and Workforce Development Bldg.	27,730,875		272,078	272,078
Lovekin Parking/Tennis Project	3,378,125		1,356,068	1,356,068
Food Services "grab-n-go" Facility Project	891,000		77,390	77,390
Master Plan Updates	729,800	127,075	276,328	403,403
Swing Space - Market Street Properties	484,500	255,067	111,123	366,190
Groundwater Monitoring Wells	100,000	64,926	56,211	121,137
Emergency Phone Project - Moreno Valley	450,000	280,379	61,203	341,582
Self-Generation Incentive Program- Norco	3,110,000	9,000	936,261	945,261
Physicians Assistant Laboratory Remodel - Moreno Valley	120,000	7,720	2,443	10,163
Visual and Performing Arts Center - Norco	114,000	96,900	17,100	114,000
Audio Visual Upgrade Project - Moreno Valley	200,000		51,550	51,550
Mechanical Upgrade Project - Moreno Valley	875,000		657,413	657,413

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

**PROPOSITION 39 PERFORMANCE AUDIT
 BOND PROJECT SUMMARY
 June 30, 2013**

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2012	2013 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2013
Coil School for the Arts	24,280,000		1,927,958	1,927,958
Coil School for the Arts - Parking Structure	1,456,076			
Total Capital Outlay	338,455,981	194,155,728	26,271,452	220,427,180
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
Total Other Financing Uses	75,043,056	75,043,053	-	75,043,053
TOTALS	\$ 413,499,037	\$ 269,198,781	\$ 26,271,452	\$ 295,470,233



September 26, 2013

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, 2013, 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, 2013 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.

Riverside Community College District
September 26, 2013
Page 2

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 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. In addition, we accumulated no uncorrected misstatements for the fiscal year ended June 30, 2013.

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.

Riverside Community College District
September 26, 2013
Page 3

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 26, 2013.

Management Consultations with Other Independent 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, 2013. Similarly, 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 at (626) 857-7300. We appreciate the opportunity to continue to be of service to Riverside Community College District.

Riverside Community College District
September 26, 2013
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Closing (continued)

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