

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RIVERSIDE COUNTY

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

June 30, 2014

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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

June 30, 2014

CONTENTS

	<u>Page</u>
Financial Audit of the General Obligation Bond Funded Capital Outlay Projects:	
Independent Auditor’s Report on Proposition 39 General Obligation Bond Funded Capital Outlay Projects	1-2
Balance Sheet.....	3
Statement of Revenues, Expenditures and Change in Fund Balance	4
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual.....	5
Notes to Financial Statements	6-14
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	15-16
Schedule of Findings and Responses.....	17
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.....	18
Background Information.....	19
Objectives and Scope of Audit	20
Procedures Performed	21
Conclusion	22
Schedule of Findings and Responses.....	23
Supplementary Information	
Bond Project Summary	24-26



**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, 2014, 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, 2014, 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 Matters

Our audit was conducted for the purpose of forming an opinion on the District's General Obligation Bond Funded Capital Outlay Projects financial statements. The supplementary schedule is presented for purposes of additional analysis and is 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014 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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
September 16, 2014

RIVERSIDE COMMUNITY COLLEGE DISTRICT

BALANCE SHEET

GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS

June 30, 2014

Assets

Cash in county treasury	\$ 41,639,548
Accounts receivable	131,899
Due from other funds	<u>40,380</u>
Total Assets	<u>\$ 41,811,827</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 1,618,515
Due to other funds	<u>19,624</u>
Total Liabilities	<u>1,638,139</u>

Fund Balance

Restricted	<u>40,173,688</u>
Total Fund Balance	<u>40,173,688</u>
Total Liabilities and Fund Balance	<u>\$ 41,811,827</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, 2014

Revenues	
Contributions	\$ 203,618
Interest and investment income	<u>159,566</u>
Total Revenues	<u>363,184</u>
Expenditures	
Classified salaries	332,201
Benefits	136,207
Supplies	8,506
Other services	524,603
Capital outlay	<u>19,579,429</u>
Total Expenditures	<u>20,580,946</u>
Deficiency of revenues over expenditures	<u>(20,217,762)</u>
Other Financing Uses	
Transfers out	<u>(98,675)</u>
Total Other Financing Uses	<u>(98,675)</u>
Net change in fund balance	(20,316,437)
Fund Balance at Beginning of Year	<u>60,490,125</u>
Fund Balance at End of Year	<u>\$ 40,173,688</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, 2014

	Budget *	Actual	Variance Favorable (Unfavorable)
Revenues			
Contributions	\$ 139,456	\$ 203,618	\$ 64,162
Interest and investment income	200,000	159,566	(40,434)
Total Revenues	339,456	363,184	23,728
 Expenditures			
Classified salaries	537,727	332,201	205,526
Benefits	217,368	136,207	81,161
Supplies	8,506	8,506	-
Other services	681,408	524,603	156,805
Capital outlay	118,240,559	19,579,429	98,661,130
Total Expenditures	119,685,568	20,580,946	99,104,622
Deficiency of revenues over expenditures	(119,346,112)	(20,217,762)	99,128,350
 Other Financing Uses			
Transfers out	(313,550)	(98,675)	214,875
Total Other Financing Uses	(313,550)	(98,675)	214,875
Net change in fund balance	\$ (119,659,662)	(20,316,437)	\$ 99,343,225
Fund Balance at Beginning of Year		60,490,125	
Fund Balance at End of Year		\$ 40,173,688	

* 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, 2014**

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, 2014**

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, 2014**

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, 2014, as provided by the County Treasurer, was \$41,617,480, 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 Colleges. The outstanding related bonded debt for the District at June 30, 2014 is:

<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
2004A	4.00-5.25%	2015	\$ 55,205,000	\$ 2,355,000	\$	\$ 1,355,000	\$ 1,000,000
2005 Refunding	3.00-5.00%	2016	58,386,109	48,498,032		46,802,747	1,695,285
2007C	4.00-5.00%	2033	90,000,000	68,510,000		24,080,000	44,430,000
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
2014 Refunding	0.40-5.00%	2028	73,090,000		73,090,000		73,090,000
			<u>\$ 386,680,387</u>	<u>\$ 229,362,310</u>	<u>\$ 73,090,000</u>	<u>\$ 72,237,747</u>	<u>\$ 230,214,563</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

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, 2014, are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 1,000,000</u>	<u>\$ 20,000</u>	<u>\$ 1,020,000</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

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, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2015	\$ 797,240	\$	\$ 1,517,760	\$ 2,315,000
2016	898,045		2,031,955	2,930,000
	<u>\$ 1,695,285</u>	<u>\$ -</u>	<u>\$ 3,549,715</u>	<u>\$ 5,245,000</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, 2014**

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, 2014, are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$	\$ 1,110,750	\$ 1,110,750
2016		2,221,500	2,221,500
2017		2,221,500	2,221,500
2018		2,221,500	2,221,500
2019		2,221,500	2,221,500
2020-2024		11,107,500	11,107,500
2025-2029	9,520,000	11,107,500	20,627,500
2030-2033	34,910,000	3,686,000	38,596,000
	<u>\$ 44,430,000</u>	<u>\$ 35,897,750</u>	<u>\$ 80,327,750</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

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, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total</u>
2015	\$	\$	\$ -
2016	216,214	158,786	375,000
2017	292,495	277,505	570,000
2018	349,375	415,625	765,000
2019	394,266	575,734	970,000
2020-2024	3,950,471	3,894,529	7,845,000
2025-2026	2,496,457	2,898,543	5,395,000
	<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, 2014**

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, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$	\$ 7,164,193	\$ 7,164,193
2016		7,322,979	7,322,979
2017		7,441,698	7,441,698
2018		7,579,818	7,579,818
2019		7,739,927	7,739,927
2020-2024		39,715,494	39,715,494
2025-2029		38,719,509	38,719,509
2030-2034	16,840,000	35,198,803	52,038,803
2035-2039	70,215,000	24,810,541	95,025,541
2040	15,245,000	1,070,351	16,315,351
	<u>\$ 102,300,000</u>	<u>\$ 176,763,313</u>	<u>\$ 279,063,313</u>

Refunding

In April 2014, the District issued General Obligation Refunding Bonds, Series A (Tax Exempt) in the amount of \$29,130,000 to advance refund all or a portion of the outstanding principal amount of the District's General Obligation Series A Bonds, 2005 Refunding Bonds and General Obligation Series C Bonds and to pay costs of issuance associated with the Bonds. General Obligation Refunding Bonds, Series B (Federally Taxable) in the amount of \$43,960,000 were also issued to advance refund a portion of the outstanding principal amount of the District's 2005 Refunding Bonds and to pay costs of issuance associated with the Bonds. The annual requirements to amortize Refunding Bonds payable, outstanding as of June 30, 2014, are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 4 – BONDED DEBT: (continued)

Refunding (continued)

Year Ended June 30,	Principal	Interest	Total
2015	\$ 1,320,000	\$ 442,992	\$ 1,762,992
2016	615,000	2,558,866	3,173,866
2017	3,780,000	2,555,188	6,335,188
2018	4,085,000	2,510,946	6,595,946
2019	4,400,000	2,445,195	6,845,195
2020-2024	28,385,000	10,158,193	38,543,193
2025-2028	30,505,000	3,793,067	34,298,067
	<u>\$ 73,090,000</u>	<u>\$ 24,464,447</u>	<u>\$ 97,554,447</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, 2014, the District was committed under various capital expenditure purchase agreements for bond projects in process totaling approximately \$88,300,000.



**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, 2014, 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 16, 2014.

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
Glendora, California
September 16, 2014

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

**FINANCIAL AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014**

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, 2014, and June 30, 2013.

**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, 2014.

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 20 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 15264 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 15264 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, 2014, 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 15264 and 15272 – 15286 of the California Education Code.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
September 16, 2014

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

**PROPOSITION 39 PERFORMANCE AUDIT
June 30, 2014**

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, 2014**

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, 2013 to June 30, 2014. 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, 2014, 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, 2014**

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, 2014 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 15264 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, 2014 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, 2014**

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, 2014**

There were no findings related to the performance audit for the fiscal year ended June 30, 2014.

SUPPLEMENTARY INFORMATION

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

**PROPOSITION 39 PERFORMANCE AUDIT
BOND PROJECT SUMMARY
June 30, 2014**

The District has identified the following projects to be funded with proceeds from the general obligation bonds. The District incurred costs of \$241,008,126 through June 30, 2014 for these construction projects. Capital outlay and other financing expenditures were as follows:

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2013	2014 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2014
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	9,171,523	284	9,171,807
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	1,351,053		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	16,294,560	104,994	16,399,554
Phase III - Moreno Valley	7,044,265	4,716,434	1,078,582	5,795,016
Physical Education Phase II	13,738,332	13,106,903	15,613	13,122,516
Feasibility and Planning	1,946,085	1,347,910	198,559	1,546,469
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	8,425,861		8,425,861
ECS Upgrade/Retrofit Norco/MoVal	389,561	389,561		389,561
PBX Operations Center - Riverside	428,119	428,119		428,119
PBX Operations Center - Norco NOC	11,775,000	11,123,252	191,572	11,314,824
PBX Operations Center - Moreno Valley NOC	3,024,082	109,634	98,831	208,465
Phys/Life Science Secondary Effects StSvc	152,500	152,500		152,500
Norco Campus Student Support Center	15,635,918	15,633,873		15,633,873
Staff Costs	2,250,470	1,792,891	457,584	2,250,475
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	136,875	12,750	149,625
Aquatic Pool Project	11,028,683	10,833,976	32,008	10,865,984
Norco Soccer Field	3,904,973	3,904,973	(25,659)	3,879,314
Moreno Valley Parking Structure	5,269,307	5,058,274	698	5,058,972
Bradshaw Building Electrical	366,353	366,353		366,353

See independent auditor's report.

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

**PROPOSITION 39 PERFORMANCE AUDIT
BOND PROJECT SUMMARY
June 30, 2014**

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2013	2014 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2014
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	86,500		86,500
Health Science Center	164,971	164,970		164,970
ADA Transition Plan	6,360,000	3,513,078	2,506,984	6,020,062
March Dental Education Center	9,914,549	9,878,445		9,878,445
Norco Secondary Effects Project	16,044,292	15,563,941	124,653	15,688,594
Utility Infrastructure Upgrade Project	7,085,632	1,985,350	3,934,990	5,920,340
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	302,541	262	302,803
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	112,009		112,009
Riverside Cosmetology Building	142,500	142,500		142,500
Alumni Carriage House Restoration Project	150,000	121,513	756	122,269
District Wide IT Audit	5,840,000	1,709,750	451,340	2,161,091
District Culinary Arts / District Office Building	32,484,261	3,651,431	3,146,079	6,797,510
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	7,290		7,290
Scheduled Maintenance	2,860,000	1,890,330	306,226	2,196,556
Electronic Contract Document Storage	50,000			
2013-14 IPP/FPP District	350,000			
Program Contingency	4,439,146			
Program Reserve	4,310,463			
District Design Standards	355,000	335,785	9,247	345,032
Moreno Valley Learning Center	127,000	127,000		127,000
Student Services and Workforce Development Bldg.	25,925,000	272,078	1,175,481	1,447,559
Lovekin Parking/Tennis Project	4,475,000	1,356,068	2,967,760	4,323,828
Food Services "grab-n-go" Facility Project	1,600,000	77,390	5,348	82,738
Master Plan Updates	729,800	403,403	305,506	708,909
Swing Space - Market Street Properties	866,500	366,190	121,301	487,491
Groundwater Monitoring Wells	517,660	121,137	28,308	149,445
Emergency Phone Project - Moreno Valley	450,000	341,582		341,582
Self-Generation Incentive Program- Norco	3,110,000	945,261	1,580,045	2,525,306
Physicians Assistant Laboratory Remodel - Moreno Valley	120,000	10,163	39,029	49,192
Visual and Performing Arts Center - Norco	114,000	114,000		114,000
Audio Visual Upgrade Project - Moreno Valley	200,000	51,550		51,550
Mechanical Upgrade Project - Moreno Valley	875,000	657,413	2,832	660,245

See independent auditor's report.

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

**PROPOSITION 39 PERFORMANCE AUDIT
BOND PROJECT SUMMARY
June 30, 2014**

	BUDGET	TOTAL PROJECT COSTS THROUGH June 30, 2013	2014 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH June 30, 2014
Coil School for the Arts	24,280,000	1,927,958	1,708,982	3,636,940
Coil School for the Arts - Parking Structure	1,456,076			
Total Capital Outlay	<u>340,094,380</u>	<u>220,427,180</u>	<u>20,580,946</u>	<u>241,008,126</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
Total Other Financing Uses	<u>75,043,056</u>	<u>75,043,053</u>	-	<u>75,043,053</u>
TOTALS	<u>\$ 415,137,436</u>	<u>\$ 295,470,233</u>	<u>\$ 20,580,946</u>	<u>\$ 316,051,180</u>

See independent auditor's report.