

**RIVERSIDE COMMUNITY
COLLEGE DISTRICT**

RIVERSIDE COUNTY

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

JUNE 30, 2006

RIVERSIDE COMMUNITY COLLEGE DISTRICT
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JUNE 30, 2006

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*Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the accompanying financial statements of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit of the General Obligation Bond Funded Capital Outlay Projects in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the financial activity of the General Obligation Bond Funded Capital Outlay Projects and do not purport to, and do not, present fairly the financial position of the Riverside Community College District, as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District as of June 30, 2006, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Eadie and Payne, LLP

September 13, 2006

RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS
BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash and cash equivalents	\$36,480,753
Accrued interest receivable	<u>154,131</u>

TOTAL ASSETS \$36,634,884

LIABILITIES

Accounts payable	<u>\$ 2,463,380</u>
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TOTAL LIABILITIES 2,463,380

FUND BALANCE

Restricted	<u>34,171,504</u>
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TOTAL FUND BALANCE 34,171,504

TOTAL LIABILITIES AND FUND BALANCE \$36,634,884

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

REVENUE

Revenue From Local Sources

Interest income \$ 1,726,681

Total Revenue From Local Sources 1,726,681

Total Revenue 1,726,681

EXPENDITURES

Capital outlay 18,337,890

Total Expenditures 18,337,890

EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES (16,611,209)

FUND BALANCE AT JULY 1, 2005 50,782,713

FUND BALANCE AT JUNE 30, 2006 \$34,171,504

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUNDED CAPITAL OUTLAY PROJECTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. **NATURE OF ACTIVITIES**

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

On March 2, 2004, the voters of Riverside Community College District approved Measure C, a \$350 million bond measure designed to provide funds to improve facilities and safety at the Moreno Valley, Norco, and Riverside campuses.

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

In August 2004, the District issued the General Obligation Bonds, Series A and B in the amounts of \$55,205,000 and \$9,795,000, respectively. Series A bonds were issued to finance the acquisition, construction, and modernization of property and school facilities and to refund the District's outstanding Certificates of Participation (1993 Financing Project). The Series B Bonds were issued to advance refund the District's outstanding Certificates of Participation (2001 Refunding Project) Series B.

In June 2005, the District issued the General Obligation Refunding Bonds, Series 2004A in the amount of \$58,386,109 to advance refund all or a portion of the outstanding principal amount of the District's General Obligation Series A Bonds and to pay costs of issuance associated with the Bonds.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Financial Statement Presentation**

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

NOTES TO FINANCIAL STATEMENTS (Continued)

B. **Basis of Accounting**

The activity of the General Obligation Bond Funded Capital Outlay Projects of the Riverside Community College District is maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

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

C. **Cash and Cash Equivalents**

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

3. **CONSTRUCTION COMMITMENTS**

As of June 30, 2006, the District had commitments of \$8,526,672 with respect to unfinished general obligation bond funded capital projects.

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Riverside Community College District
Riverside, California

In connection with our audit, we have examined the Riverside Community College District's compliance with the performance requirements for the Proposition 39 General Obligation Bonds for the year ended June 30, 2006. Management is responsible for the Riverside Community College District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the Riverside Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2006.

Eadie and Payne, LLP

September 13, 2006

**RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS
PROPOSITION 39 PERFORMANCE AUDIT
PROCEDURES PERFORMED
JUNE 30, 2006**

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2006 for the General Obligation Bond Funded Capital Outlay Projects. We obtained the actual invoices and other supporting documentation for expenditures on a sample basis to test compliance with Proposition 39. We performed the following procedures:

- We reviewed the ballot proposition of the Riverside Community College District bond measure outlining the projects to be funded from the bond proceeds.
- We selected expenditures during the period July 1, 2005 to June 30, 2006 for testing on a sample basis. We reviewed supporting documentation for items selected to ensure that funds were properly expended on the specific projects approved by the Board of Trustees and that these projects were in conformity with the ballot text.
- We compared total expenditures to date for each project to budgets for each project.
- We also verified that funds were generally used for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, and we verified that funding was not spent for teacher or nonconstruction related administrative salaries or other school operating expenses.

RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS
BOND PROJECT SUMMARY
JUNE 30, 2006

The District identified 17 projects to be funded with proceeds from the general obligation bonds. The District incurred costs of \$30,463,341 through June 30, 2006 for these projects. Capital outlay and other financing expenditures were as follows:

	BUDGET	TOTAL PROJECT COSTS THROUGH JUNE 30, 2005	2006 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH JUNE 30, 2006
Parking Structure - Riverside	\$ 20,238,814	\$ 1,581,883	\$12,180,366	\$ 13,762,249
PE Complex/Athletic Field Phase I - Riverside	4,769,000	4,151,673	447,715	4,599,388
Swing Space	4,368,459	3,494,556	743,101	4,237,657
Quad Moderization Project	6,769,822	428,458	959,633	1,388,091
RCC System Office - Purchase Option	2,629,982	382,279	2,247,703	2,629,982
Bridge Space Project	1,175,132	265	1,174,867	1,175,132
Phase III - Moreno Valley - Initial Planning	1,157,320	31,647	7,792	39,439
Phase III - Norco - Planning and Working Drawings	918,785	356,029	11,168	367,197
MLK Renovation	1,010,614	899,481	111,133	1,010,614
District Computer/Network/Phone Upgrades	626,990	404,064	128,380	532,444
Scheduled Maintenance - District Match for State Allocation	341,075	322,000	18,075	340,075
Nursing/Sciences Building - Riverside - Initial Planning	206,426	73,116	78,076	151,192
Physical Education Phase II	194,546		178,298	178,298
Feasibility and Planning	45,000		45,000	45,000
Center for Primary Education	5,870,605		6,583	6,583
Norco Campus Room Renovations	100,220			
Moreno Valley ECS Secondary Effects	19,000			
TOTALS	<u>\$ 50,441,790</u>	<u>\$ 12,125,451</u>	<u>\$18,337,890</u>	<u>\$ 30,463,341</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS
PROPOSITION 39 PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006

There were no findings and questioned costs related to the audits of the General Obligation Bonds for the year ended June 30, 2006.