

DESERT COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE B, MARCH 2004)
FINANCIAL AUDIT

JUNE 30, 2010 AND 2009

DESERT COMMUNITY COLLEGE DISTRICT
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FINANCIAL AUDIT
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INDEPENDENT AUDITORS' REPORT

The Board of Trustees and
the Citizens' Oversight Committee
Desert Community College District
Palm Desert, California

We have audited the accompanying Balance Sheets, Statements of Revenues, Expenditures and Change in Fund Balance and Statements of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Measure B Bond Building Fund (the “Bond Fund”) of the Desert Community College District (the “District”) as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the District’s management. Our responsibility is to express an opinion on these statements based on our audits.

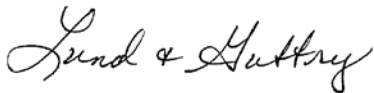
We conducted our audits of the Bond Building Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards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

As described in Note 1, the Bond Fund financial statements present only the bond funds referred to in the second paragraph and do not purport to, and do not present fairly the financial position and results of operations of the District as of June 30, 2010 and 2009, and for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Bond Fund of the Desert Community College District as of June 30, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

The Board of Trustees and
the Citizens' Oversight Committee
Desert Community College District
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2010 on our consideration of the District's internal control over Bond Fund financial reporting and our test of its compliance with certain provisions of laws, regulations and contracts governing the bond funds. 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 financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audits.

A handwritten signature in cursive script that reads "Lund & Guttry".

December 9, 2010

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

BALANCE SHEETS

JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
ASSETS		
Cash equivalents in the County Treasury	\$ 168,627,373	\$ 201,878,802
Cash in bank	4,085	3,290,295
Accounts receivable - net	459,984	423,466
Interest receivable	457,658	785,934
Investments	<u>61,014,758</u>	<u>53,826,752</u>
TOTAL ASSETS	<u>\$ 230,563,858</u>	<u>\$ 260,205,249</u>
<u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES		
Accounts payable	<u>\$ 6,574,317</u>	<u>\$ 4,785,831</u>
Total liabilities	<u>6,574,317</u>	<u>4,785,831</u>
FUND BALANCE		
Reserved for special purposes	<u>223,989,541</u>	<u>255,419,418</u>
Total fund balance	<u>223,989,541</u>	<u>255,419,418</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 230,563,858</u>	<u>\$ 260,205,249</u>

(The accompanying notes are an integral part of these financial statements)

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Investment income	\$ 6,304,965	\$ 4,134,495
Local revenue	<u>400,000</u>	<u>400,000</u>
Total revenues	<u>6,704,965</u>	<u>4,534,495</u>
EXPENDITURES		
Supplies and materials	80,482	59,344
Other expenses and services	3,416,992	2,509,440
Capital outlay	<u>34,637,368</u>	<u>51,559,419</u>
Total expenditures	<u>38,134,842</u>	<u>54,128,203</u>
Deficiency of revenues over expenditures	<u>(31,429,877)</u>	<u>(49,593,708)</u>
FUND BALANCE, beginning of year	<u>255,419,418</u>	<u>305,013,126</u>
FUND BALANCE, end of year	<u>\$ 223,989,541</u>	<u>\$ 255,419,418</u>

(The accompanying notes are an integral part of these financial statements)

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Investment income	\$ 3,610,600	\$ 6,304,965	\$ 2,694,365
Local revenue	-	400,000	400,000
Total revenues	3,610,600	6,704,965	3,094,365
 EXPENDITURES			
Supplies and materials	35,103	80,482	(45,379)
Other expenses and services	673,000	3,416,992	(2,743,992)
Capital outlay	* 281,364,470	34,637,368	246,727,102
Total expenditures	282,072,573	38,134,842	243,937,731
Deficiency of revenues over expenditures	\$ (278,461,973)	(31,429,877)	\$ 247,032,096
FUND BALANCE, beginning of year		255,419,418	
FUND BALANCE, end of year		\$ 223,989,541	

* The budget for capital outlay expenditures reflects amounts remaining and available for current and subsequent year's expenditures and does not necessarily coincide with actual planned expenditures in the current year. All budget expenditures are included in capital outlay due to budgeted expenditures being tracked by project instead of by expense classification.

(The accompanying notes are an integral part of these financial statements)

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Investment income	\$ 2,047,489	\$ 4,134,495	\$ 2,087,006
Local revenue	<u>-</u>	<u>400,000</u>	<u>400,000</u>
 Total revenues	 <u>2,047,489</u>	 <u>4,534,495</u>	 <u>2,487,006</u>
 EXPENDITURES			
Supplies and materials	14,723	59,344	(44,621)
Other expenses and services	14,768,623	2,509,440	12,259,183
Capital outlay	* <u>288,933,558</u>	<u>51,559,419</u>	<u>237,374,139</u>
 Total expenditures	 <u>303,716,904</u>	 <u>54,128,203</u>	 <u>249,588,701</u>
 Deficiency of revenues over expenditures	 <u>\$ (301,669,415)</u>	 (49,593,708)	 <u>\$ 252,075,707</u>
 FUND BALANCE, beginning of year		 <u>305,013,126</u>	
 FUND BALANCE, end of year		 <u>\$ 255,419,418</u>	

* The budget for capital outlay expenditures reflects amounts remaining and available for current and subsequent year's expenditures and does not necessarily coincide with actual planned expenditures in the current year. All budget expenditures are included in capital outlay due to budgeted expenditures being tracked by project instead of by expense classification.

(The accompanying notes are an integral part of these financial statements)

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Desert Community College District (the “District”) was formed in 1958 to provide access to higher education in the Coachella Valley. The District currently operates College of the Desert which provides post-secondary instruction in an array of educational classes, programs and services.

The accompanying financial statements present the financial position and results of activities for the District’s Measure B Bond Building Fund (the “Bond Fund”). Escrow funds, debt service funds, costs of issuance and bonded debt are accounted for at the County level and are not presented in the accompanying financial statements.

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.

The budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor’s Office of the California Community College’s *Budget and Accounting Manual*.

Fund Structure

The Statement of Revenues, Expenditures, and Change in Fund Balance is a statement of financial activities of the Bond Fund related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the year as would a statement of income for a profit-type organization.

Basis of Accounting

The Bond Fund of the District 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).

Budget

The Board of Trustees (the “Board”) adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is the final revised budget that is presented in these financial statements.

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash in hand, demand deposits, certificates of deposit, and short-term investments with original maturities of one year or less. The District reports amounts invested in the County Treasury as cash equivalents.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end.

Accounts Receivable

Accounts receivable consist primarily of accounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Interest Receivable

Interest receivable consists of amounts due from the County Treasury pooled investment funds and from cash held on deposit with a bank which was earned, but not received.

Capital Assets and Long-term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Fund are determined by its measurement focus. The Bond Fund 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 Bond Building Fund are accounted for in the basic financial statements of the District.

Reservations of Fund Balances

Portions of fund balances have been reserved for specific purposes. Reservations were created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated for a specific purpose or (2) identify the portion of the fund balance that has been appropriated for contractual commitments.

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

2. CASH AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Cash equivalents in the County Treasury	\$ 168,627,373	\$ 201,878,802
Cash in bank	4,085	3,290,295
Investments	<u>61,014,758</u>	<u>53,826,752</u>
Total restricted	<u>\$ 229,646,216</u>	<u>\$ 258,995,849</u>

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

The District maintains a significant portion of the cash balance of the bond funds with the Riverside County Treasurer for the purpose of increasing interest earnings through County investment activities. The County is restricted by Government Code §53635 pursuant to §53601 to invest in direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. At June 30, 2010 and 2009, the carrying values were \$168,627,373 and \$201,878,802, respectively.

The District invested the proceeds from the sale of the Series 2007 B general obligation bonds in a trust account at a separate financial institution. At June 30, 2010, the funds in the account were invested in insured municipal bonds with a fair market value of \$61,014,758 and collateralized money market funds with a fair market value of \$4,085. At June 30, 2009, the funds in the account were invested in insured municipal bonds with a fair market value of \$53,826,752 and collateralized money market funds with a fair market value of \$3,290,295.

See the District's basic financial statements for the disclosures related to cash, cash equivalents, and investments and the related risk disclosures.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excesses of cumulative expenditures over appropriations in the Bond Fund.

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

4. BONDED DEBT

On March 2, 2004, \$346.5 million in general obligation bonds were authorized by an election held within the District under Proposition 39/Measure B. These bonds are issued in multiple series as general obligations of the District. The following information is provided for purposes of additional analysis only.

In August 2004, Series 2004 A (the Series 2004 A Bonds) general obligation bonds in the amount of \$65,000,000 were sold at a premium. The proceeds from the sale of the bonds will generally be used to finance the construction, acquisition, furnishing and equipping of District facilities. Bond issuance costs of \$1,013,971.48 were incurred in connection with the issuance of the Series 2004 A general obligation bonds.

In June 2005, a portion of the above bonds were refinanced through the issue of 2005 General Obligation Refunding Bonds (the "Refunding Bonds"). These bonds in the amount of \$55,771,886.25 were sold at a premium (total proceeds of \$63,734,231.05). A portion of the bond proceeds (\$7,848,411.73) was deposited into the District's Bond Fund to be used for the District's project list. The rest of the proceeds (\$55,885,819.32) were deposited into an escrow account to (1) advance refund and defease the bonds maturing on and after August 1, 2015 of the District's outstanding Election of 2004 General Obligation Bonds, Series 2004 A (the "Refunded Bonds"), (2) pay the debt service on the Refunded Bonds, including principal, due on and prior to August 1, 2014 and (3) pay all legal, financial and contingent costs in connection with the issuance of the Bonds. Bond issuance costs of \$770,375.09 were incurred in connection with the issuance of the Refunding Bonds.

In November 2007, Series 2007 B (the Series 2007 B Bonds) general obligation bonds in the amount of \$57,850,000 were sold at a premium. The proceeds from the sale of the bonds will generally be used to finance the construction, acquisition, furnishing and equipping of District facilities. Bond issuance costs of \$722,019.73 were incurred in connection with the issuance of the Series 2007 B general obligation bonds.

In December 2007, Series 2007 C (the Series 2007 C Bonds) general obligation bonds in the amount of \$223,648,443.95 were sold at a premium. The proceeds from the sale of the bonds will generally be used to finance the construction, acquisition, furnishing and equipping of District facilities. Bond issuance costs of \$3,731,929.63 were incurred in connection with the issuance of the Series 2007 C general obligation bonds.

The bond proceeds may not be used for District employees' salaries or other administration costs. In November 2004 the Attorney General of California issued an opinion stating that districts may use Proposition 39 bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter-approved bond measure. The District did not spend any bond proceeds on salaries of District employees for the year ended June 30, 2010 and 2009.

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

4. BONDED DEBT – (continued)

The following is a summary of the sources and uses of each bond series:

<u>Sources of funds:</u>					
Series	Proposition 39 Measure B Principal Amount of bonds	2005 General Obligation Refunding Bonds	Original issue premium	Total sources of funds	
2004 A	\$ 65,000,000.00	\$ -	\$ 1,288,727.55	\$ 66,288,727.55	
2005 Refunding	-	55,771,886.25	7,962,344.80	63,734,231.05	
2007 B	57,850,000.00	-	2,577,655.40	60,427,655.40	
2007 C	223,648,443.95	-	4,966,797.90	228,615,241.85	
Total	<u>\$346,498,443.95</u>	<u>\$ 55,771,886.25</u>	<u>\$ 16,795,525.65</u>	<u>\$419,065,855.85</u>	

<u>Uses of funds:</u>					
Series	Building fund	Escrow fund	Debt service fund	Costs of issuance	Total use of funds
2004	\$ 65,000,000.00	\$ -	\$ 274,756.07	\$ 1,013,971.48	\$ 66,288,727.55
2005 Refunding	7,848,411.73	55,115,444.23	-	770,375.09	63,734,231.05
2007 B	57,850,000.00	-	1,855,635.67	722,019.73	60,427,655.40
2007 C	223,648,443.95	-	1,234,868.27	3,731,929.63	228,615,241.85
Total	<u>\$354,346,855.68</u>	<u>\$ 55,115,444.23</u>	<u>\$ 3,365,260.01</u>	<u>\$ 6,238,295.93</u>	<u>\$419,065,855.85</u>

The outstanding related bonded debt for the District at June 30, 2010 is:

Date of <u>Issue</u>	<u>Series</u>	Interest <u>Rate %</u>	Maturity <u>Date</u>	Amount of Original <u>Issue</u>	Amount Outstanding <u>July 1, 2009</u>	Redeemed Current <u>Year</u>	Amount Outstanding <u>June 30, 2010</u>
Aug-04	2004 A	2.0-5.0%	8/1/2014	\$ 65,000,000	\$ 4,015,000	\$ 310,000	\$ 3,705,000
Jun-05	2005 Refunding	3.0-5.0%	8/1/2024	\$ 55,771,886	50,716,886	1,605,000	49,111,886
Nov-07	2007 B	4.5-5.0%	8/1/2032	\$ 57,850,000	52,620,000	-	52,620,000
Dec-07	2007 C	3.3-5.5%	8/1/2046	\$ 223,648,444	218,517,621	-	218,517,621
Total					<u>\$ 325,869,507</u>	<u>\$ 1,915,000</u>	323,954,507
Less: current portion							(1,564,848)
Long term portion							<u>\$ 322,389,659</u>

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

4. BONDED DEBT – (continued)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2010, are as follows:

Series 2004 A				2005 Refunding			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2011	\$ 440,000	\$ 133,750	\$ 573,750	2011	\$ 973,960	\$ 2,992,790	\$ 3,966,750
2012	580,000	116,088	696,088	2012	922,982	3,158,768	4,081,750
2013	730,000	91,887	821,887	2013	875,779	3,330,971	4,206,750
2014	890,000	60,400	950,400	2014	827,795	3,503,955	4,331,750
2015	1,065,000	21,300	1,086,300	2015	783,214	3,683,536	4,466,750
2016-2020	-	-	-	2016-2020	15,698,156	11,599,219	27,297,375
2021-2025	-	-	-	2021-2025	29,030,000	3,899,000	32,929,000
2026-2030	-	-	-	2026-2030	-	-	-
2031-2035	-	-	-	2031-2035	-	-	-
2036-2040	-	-	-	2036-2040	-	-	-
2041-2045	-	-	-	2041-2045	-	-	-
2046-2047	-	-	-	2046-2047	-	-	-
	<u>\$ 3,705,000</u>	<u>\$ 423,425</u>	<u>\$ 4,128,425</u>		<u>\$ 49,111,886</u>	<u>\$ 32,168,239</u>	<u>\$ 81,280,125</u>

Series 2007 B				Series 2007 C			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2011	\$ -	\$ 2,631,000	\$ 2,631,000	2011	\$ 150,888	\$ 6,405,612	\$ 6,556,500
2012	-	2,631,000	2,631,000	2012	295,413	6,431,087	6,726,500
2013	-	2,631,000	2,631,000	2013	427,569	6,468,932	6,896,501
2014	-	2,631,000	2,631,000	2014	556,960	6,519,540	7,076,500
2015	-	2,631,000	2,631,000	2015	670,456	6,581,044	7,251,500
2016-2020	-	13,155,000	13,155,000	2016-2020	7,690,478	36,012,022	43,702,500
2021-2025	-	13,155,000	13,155,000	2021-2025	9,210,834	41,961,666	51,172,500
2026-2030	33,685,000	9,234,875	42,919,875	2026-2030	13,512,263	56,320,236	69,832,499
2031-2035	18,935,000	1,039,625	19,974,625	2031-2035	56,646,658	53,407,592	110,054,250
2036-2040	-	-	-	2036-2040	92,390,036	58,255,896	150,645,932
2041-2045	-	-	-	2041-2045	27,048,236	149,927,851	176,976,087
2046-2047	-	-	-	2046-2047	9,917,830	68,527,114	78,444,944
	<u>\$ 52,620,000</u>	<u>\$ 49,739,500</u>	<u>\$ 102,359,500</u>		<u>\$ 218,517,621</u>	<u>\$ 496,818,592</u>	<u>\$ 715,336,213</u>

The repayment of the debt related to the general obligation bonds is accounted for in the District's Bond Debt Service Fund which is part of the District's basic financial statements.

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

5. SUBSEQUENT EVENTS

The District's Bond Fund evaluated all potential subsequent events as of December 9, 2010 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2010 or as of December 9, 2010 that require disclosure to the financial statements.



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**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**

Board of Trustees and
the Citizen’s Oversight Committee
Desert Community College District
Palm Desert, California

We have audited the financial statements as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 9, 2010 for the Measure B Bond Building Fund (the “Bond Fund”) of the Desert Community College District (the “District”). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District’s Bond Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

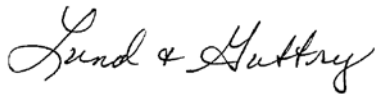
In planning and performing our audit, we considered the District’s Bond Fund internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund’s internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Bond Fund’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Bond Fund’s financial statements will not be prevented, or detected and corrected on a timely basis.

The Board of Trustees and
the Citizens' Oversight Committee
Desert Community College District
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, the Citizens' Oversight Committee and management and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record.

A handwritten signature in cursive script that reads "Lund & Guttry".

December 9, 2010

DESERT COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

COMPLIANCE AND OTHER MATTERS

There were no findings or questioned costs noted during our audit relating to compliance.

INTERNAL CONTROL

There were no findings or questioned costs noted during our audit relating to internal control.