

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

**JUNE 30, 2011**

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

**JUNE 30, 2011**

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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 examined the Desert Community College District's (the "District's") compliance with the performance requirements for the District's General Obligation Bonds 2004 Election, Series 2004 A, Series 2007 B, Series 2007 C and 2005 Refunding bonds ("Bonds") for the fiscal year ended June 30, 2011, under the applicable provisions of Section 1(b)(3)(c) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance with such requirements thereof 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 the 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 the District's compliance with specified requirements.

In our opinion, the Desert Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2011.

December 8, 2011

# **DESERT COMMUNITY COLLEGE DISTRICT**

## **PROPOSITION 39, GENERAL OBLIGATION BONDS** **PERFORMANCE AUDIT**

**JUNE 30, 2011**

### **OBJECTIVES**

The objectives of our Performance Audit were to:

- Document the expenditures charged to the Desert Community College District (the “District”) General Obligation Bond Building Fund (the “Bond Fund”) established for the bonds and the net bond proceeds deposited into the Bond Fund.
- Determine whether expenditures from July 1, 2010 through June 30, 2011 charged to the Bond Fund have been made in accordance with the bond project authorization approved by the voters through the approval of Measure B in March 2004 (“Bond Projects”).
- Note any discrepancies or system weaknesses and provide recommendations for improvement.
- Provide the District Board and the Measure B Citizens’ Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

### **SCOPE OF THE AUDIT**

The scope of our Performance Audit covered the period from July 1, 2010 through June 30, 2011 and included all object and project codes associated with the Bond Projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2011 were not reviewed or included within the scope of our audit.

### **BACKGROUND INFORMATION**

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. A Citizens’ Oversight Committee was appointed in April 2004 to comply with the California Constitution and Education Code. The purpose of the Committee is to inform the public at least annually regarding the appropriate use of the bond proceeds. California Constitution, Article 13A, Section 1(b)(3)(c) requires an annual performance audit be conducted to ensure that funds have been expended only on the specific projects publicized by 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 was issued. These bonds were issued at a premium of \$1,288,728, bringing the total proceeds to \$66,288,728. The total proceeds from the bonds were received by the District (less the original bond issuance costs of \$1,013,971) and are to be used to finance the construction, acquisition, furnishing and equipping of District facilities.

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**BACKGROUND INFORMATION** – (continued)

In June 2005, a portion of the above bonds were refinanced through the issue of 2005 General Obligation Refunding Bonds (the “Refunding Bonds”) in the amount of \$55,771,886. These bonds were issued at a premium of \$7,962,345, bringing the total proceeds to \$63,734,231. A portion of the bond proceeds (\$7,848,412) 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) 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 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 issued. These bonds were issued at a premium of \$2,577,655, bringing the total proceeds to \$63,734,231. The total proceeds from the bonds were received by the District (less the original bond issuance costs of \$722,020) and are to be used to finance the construction, acquisition, furnishing and equipping of District facilities.

In December 2007, Series 2007 C (the Series 2007 C Bonds) general obligation bonds in the amount of \$223,648,444 were issued. These bonds were issued at a premium of \$4,966,798, bringing the total proceeds to \$228,615,242. The total proceeds from the bonds were received by the District (less the original bond issuance costs of \$3,731,930) and are to be used to finance the construction, acquisition, furnishing and equipping of District facilities.

**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, 2011 for the Bond Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Proposition 39/Measure B funding. We performed the following procedures:

- We reviewed the Bond Implementation Plan publicized lists of intended projects.
- We selected a sample of expenditures in the fiscal year ending June 30, 2011 and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriations.

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**PROCEDURES PERFORMED** – (continued)

- We verified that funds were generally used for the construction, acquisition, furnishing and equipping of District facilities, and we verified that funding was not used for salaries of school administrators or other operating expenses of the District.

**RESULTS OF PROCEDURES**

The District incurred cumulative total costs of \$174,346,382 through June 30, 2011. Of those amounts, \$19,108,669 was expended during the fiscal year ended June 30, 2011. The projects are outlined on pages 5 and 6.

Due to revisions in the Education Master Plan of the District since the authorization of the bonds and the ever changing community demand for different instructional classes, bond projects and their related budgets and costs are periodically adjusted to meet these needs. This may also result in bond projects moving between bond series to accommodate timing issues.

Each of the projects has been given specific project identifications within the District's Bond Fund. Budgets for each project are included in the financial reporting system and actual expenditures are matched against these budgets.

For additional information, including questions and an outline of project by project construction and project status, contact the Desert Community College District, 43-500 Monterey Ave, Palm Desert, CA 92260.

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**RESULTS OF PROCEDURES - continued**

	Actual Costs for Fiscal Year Ended June 30, 2011	Actual Costs August 1, 2004 through June 30, 2011	Total Budget
A Job and career training projects			
Barker Nursing Complex	\$ -	\$ 10,962,344	\$ 10,962,344
Burn Tower	-	2,875,267	2,875,267
Career Technical Education (C.T.E.)	537,006	537,006	12,000,000
Child Development Center	47,411	47,411	5,500,000
Nursing Building renovation	869,900	3,536,941	3,550,000
Public Safety Academy Phase I	-	14,911,665	14,911,665
Subtotal	<u>1,454,317</u>	<u>32,870,634</u>	<u>49,799,276</u>
B Classrooms, buildings and facilities			
Administration Building	215,648	215,648	8,750,000
Alumni Center		2,714,816	2,714,816
Athletic facilities	555,494	587,622	21,410,000
Aquatics swimming pool demolition	-	290,087	290,087
Baseball scoreboard	-	77,711	77,711
Business Building renovation	-	4,540,458	4,465,621
Classroom building	6,835,815	9,913,200	23,800,000
Communications Building	647,549	1,403,193	25,100,000
Cravens Student Center	229,194	22,852,946	22,973,516
Culinary kitchen	-	410,529	410,529
Dining Hall renovation	130,173	5,398,441	5,437,469
East Valley Phase I	51,145	9,787,370	10,000,000
Indio Educational Center	678,414	1,106,645	20,000,000
Liberal Arts Building Renovation	5,866	5,866	5,500,000
Scene Shop	-	74,676	74,676
Science Labs	-	223,624	223,624
Soccer Field lighting	-	57,449	57,449
Softball Stadium	-	65,202	65,202
South Annex Ph 1	-	273,569	273,569
South Annex Ph II	-	1,027,825	1,027,825
South Annex Ph III	-	646,294	646,294
South/North Annex Ph 1	-	1,920,155	1,920,155
Temporary dining facilities	-	752,840	752,840
Visual Arts Building	229,100	229,100	8,000,000
Voice over I.P. communication	-	964,487	964,487
Weight Room and Training Facility	25,086	887,416	930,381
West Valley Desert Hot Springs	-	-	10,000
West Valley Phase I	940,772	2,043,097	39,990,000
Wireless access	-	322,555	322,555
Subtotal	<u>10,544,256</u>	<u>68,792,821</u>	<u>206,188,806</u>

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**RESULTS OF PROCEDURES - continued**

	Actual Costs for Fiscal Year Ended June 30, 2011	Actual Costs August 1, 2004 through June 30, 2011	Total Budget
C Health and safety projects			
Ag science projects	-	93,304	93,304
Carol Meier Lecture Hall roof repair	-	317,728	317,728
Campus Technology Infrastructure	15,669	15,669	3,000,000
Contractor lay down area	-	724,890	724,890
Demo Central Annex/Cooling Towers	122,043	148,057	1,500,000
Diesel Mechanics flooring	-	14,154	14,154
Infrastructure Ph I - upgrade pipes	-	12,300,164	14,534,639
Infrastructure Ph II - point of contact	-	9,553,740	11,935,597
Infrastructure Ph III	4,233,647	8,966,404	10,000,000
Stadium showers and lockers	-	37,187	37,187
Storm drain outlet structure	-	1,563,111	1,563,111
Subtotal	<u>4,371,359</u>	<u>33,734,408</u>	<u>43,720,610</u>
D Energy efficiency improvements			
Central Plant	\$ -	\$ 13,107,766	\$ 13,107,766
Subtotal	<u>-</u>	<u>13,107,766</u>	<u>13,107,766</u>
E Safety, security and sites			
ADA transition plan path of travel	-	59,549	59,549
Campus standards & design	-	611,638	611,638
Central Annex	-	2,308,330	2,308,330
Date palm removal	-	311,447	311,447
Gymnasium repair	-	144,679	144,679
Hazardous services	-	88,131	88,131
Monterey Avenue improvements	-	1,544,946	1,544,946
Monterey Entrance & Turn Around	155,574	155,574	5,000,000
Pavement removal North Alumni Road	-	28,721	28,721
PSA and Magnesia Falls entrance	138	949,795	950,000
Safety/Security improvements CDC & AR	-	256,369	256,369
Sidewalk repairs	-	38,846	38,846
South parking lot	-	1,004,767	1,004,767
Temporary access road	-	87,252	87,252
Velma Dawson House lot	-	24,800	24,800
Western parking lot	-	2,564,965	2,564,965
Western parking lot landscaping	-	266,422	266,422
Subtotal	<u>155,712</u>	<u>10,446,231</u>	<u>15,290,862</u>
Other			
Planning & Program Management	2,583,025	15,394,522	20,848,778
Contingency	-	-	12,183,780
Future Projects	-	-	21,017,842
Subtotal	<u>2,583,025</u>	<u>15,394,522</u>	<u>54,050,400</u>
Total	<u>\$ 19,108,669</u>	<u>\$ 174,346,382</u>	<u>\$ 382,157,720</u>



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**CONCLUSION**

Based upon our procedures performed, we found that for the items tested, the District has properly accounted for the expenditures of the funds held in the Bond Fund and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Bond Fund and expended by the District were not expended for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with those requirements.