

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

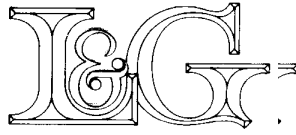
**JUNE 30, 2008**

**DESERT COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39, GENERAL OBLIGATION BONDS**  
**(MEASURE B, MARCH 2004)**  
**PERFORMANCE 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 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, 2008, 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, 2008.

A handwritten signature in cursive script that reads "Lund &amp; Guttery".

November 26, 2008

## **DESERT COMMUNITY COLLEGE DISTRICT**

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

**JUNE 30, 2008**

#### **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, 2007 through June 30, 2008, 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, 2007 through June 30, 2008 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, 2008 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 was 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 was 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, 2008 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, 2008 and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlines 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 has put forward the following projects for use of the Series 2004 A, 2005 Refunding bond, Series 2007 B and Series 2007 C funding. The District incurred cumulative total costs of \$62,974,668 through June 30, 2008. Of those amounts \$35,563,577 were expended during the fiscal year ended June 30, 2008. 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.

**DESERT COMMUNITY COLLEGE DISTRICT**

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**PERFORMANCE AUDIT**

**JUNE 30, 2008**

**RESULTS OF PROCEDURES - continued**

	Actual Costs for Fiscal Year Ended June 30, 2008	Actual Costs August 1, 2004 through June 30, 2008	Total Budget
A Job and career training projects			
Barker Nursing Complex	\$ 6,013,722	\$ 6,825,333	\$ 10,187,355
Burn Tower	2,823,454	2,849,519	2,800,000
Public Safety Academy Phase I	5,213,106	6,214,876	14,553,367
Subtotal	<u>14,050,282</u>	<u>15,889,728</u>	<u>27,540,722</u>
B Classrooms, buildings and facilities			
Alumni Center	91,915	181,602	2,676,895
Athletic Complex	78,439	358,060	350,000
Building and classroom renovation (Central Annex)	2,006,708	2,308,330	22,750,000
Business building renovation	378,875	569,917	3,913,485
Classroom building	275,069	765,453	25,480,000
Cravens Student Center	1,391,125	2,239,227	33,800,000
Culinary kitchen	-	410,529	441,399
Dining Hall renovation	160,600	311,719	7,586,059
East Valley Phase I	579,338	1,662,640	15,000,000
Hilb renovation	58,049	58,049	34,500,000
Scene Shop	6,583	74,676	62,924
Science Labs	211,995	222,589	250,000
Temporary Space I	-	1,949,447	1,954,246
Temporary Space II	-	846,994	2,000,000
Temporary Space III	36,568	36,568	-
Visual Arts	3,169	3,169	9,048,235
Voice over I.P. communication	5,188	964,487	959,299
West Valley Phase I	-	249,586	5,000,000
Wireless access	322,555	322,555	236,996
Subtotal	<u>5,606,176</u>	<u>13,535,597</u>	<u>166,009,538</u>
C Health and safety projects			
Infrastructure	6,937,063	12,231,686	24,511,500
Ag shed corrections	93,304	93,304	68,093
Contractor lay down area	413,278	724,890	446,722
Diesel mechanic floor	-	14,154	53,174
Fieldhouse restroom and shower	-	37,187	50,365
Carol Meier Lecture Hall roof repair	-	317,728	313,827
Subtotal	<u>7,443,645</u>	<u>13,418,949</u>	<u>25,443,681</u>
D Energy efficiency improvements			
Central Plant	5,920,559	6,642,328	13,000,000
Subtotal	<u>5,920,559</u>	<u>6,642,328</u>	<u>13,000,000</u>
E Safety, security and sites			
ADA master plan	18,583	59,549	40,966
Gym repair	-	144,679	161,000
Monterey Avenue improvements	-	1,544,946	900,000
Parking lot design and construction	42,276	4,335,927	4,263,937
Safety	-	344,500	362,456
Sidewalk repair	26,184	67,567	41,383
Site development - Palm Desert Campus	-	1,201,133	2,600,000
Subtotal	<u>87,043</u>	<u>7,698,301</u>	<u>8,369,742</u>

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**RESULTS OF PROCEDURES - continued**

	Actual Costs for Fiscal Year Ended <u>June 30, 2008</u>	Actual Costs August 1, 2004 through <u>June 30, 2008</u>	Total <u>Budget</u>
Other			
Planning & Program Management	\$ 2,455,872	\$ 5,789,765	\$ 17,000,000
Future Projects	-	-	83,586,305
Contingency	-	-	13,635,447
Subtotal	<u>2,455,872</u>	<u>5,789,765</u>	<u>114,221,752</u>
Total	<u>\$ 35,563,577</u>	<u>\$ 62,974,668</u>	<u>\$ 354,585,435</u>



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**RESULTS OF PROCEDURES** – (continued)

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

The following outlines results of testing related to material expenditures incurred as of June 30, 2008. Projects with insignificant expenditures and projects with no activity for the audit period were not included.

Construction management costs have been incurred and shared by all projects. Other costs incurred included the following:

**Barker Nursing Complex**

Current year expenditures were incurred for construction costs for the Barker Nursing Complex building. Expenditures appear appropriate to the project.

**Burn Tower**

Current year expenditures were incurred for programming, planning, design, and construction costs. Expenditures appear appropriate to the project.

**Public Safety Academy Phase I**

Current year expenditures were incurred for construction costs. Expenditures appear appropriate to the project.

**Alumni Center**

Current year expenditures were incurred for programming, planning, and design costs. Expenditures appear appropriate to the project.

**Athletic Complex**

Current year expenditures were incurred for programming, planning, design, and construction costs. The Softball Field project in the Athletic Complex was completed during the fiscal year ended June 30, 2008. Expenditures appear appropriate to the project.

**Building and classroom renovation**

Current year expenditures were incurred for programming, planning, design, and construction costs for several projects. The Central Annex project was complete as of June 30, 2007. Other future projects are continuing. Expenditures appear appropriate to the project.

**Business building renovation**

Current year expenditures were incurred for programming, planning, and design costs. Expenditures appear appropriate to the project.

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**RESULTS OF PROCEDURES** – (continued)

**Classroom building**

Current year expenditures were incurred for programming, planning, and design costs. Expenditures appear appropriate to the project.

**Cravens Student Center**

Current year expenditures were incurred for programming, planning, and design costs. Expenditures appear appropriate to the project.

**Culinary kitchen**

This project was complete as of June 30, 2006. Expenditures appear appropriate to the project.

**Dining Hall renovation**

Current year expenditures were incurred for design costs. Expenditures appear appropriate to the project.

**East Valley Phase I**

Current year expenditures were incurred for programming, planning, and design costs. Expenditures appear appropriate to the project.

**Hilb renovation**

Current year expenditures were incurred for design costs. Expenditures appear appropriate to the project.

**Scene Shop**

Current year expenditures were incurred for programming, planning, and design costs. This project was put on hold as of June 30, 2008, pending further review. Expenditures appear appropriate to the project.

**Science Labs**

This project was completed during the fiscal year ended June 30, 2008. Expenditures appear appropriate to the project.

**Temporary Space I**

Phase I was completed as of June 30, 2005. Expenditures appear appropriate to the project.

**Temporary Space II**

Phase I was completed as of June 30, 2007. Expenditures appear appropriate to the project.

**Temporary Space III**

Current year expenditures were incurred for programming, planning, design, and construction costs. Expenditures appear appropriate to the project.

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**RESULTS OF PROCEDURES** – (continued)

**Visual Arts**

Current year expenditures were incurred for planning costs. Expenditures appear appropriate to the project.

**Voice over I.P. communication**

This project was complete as of June 30, 2005. Expenditures appear appropriate to the project.

**Wireless access**

Current year expenditures were incurred for programming, planning, and design costs. Expenditures appear appropriate to the project.

**Infrastructure**

Current year expenditures were incurred for programming, planning, design, and construction costs. Expenditures appear appropriate to the project.

**Ag shed corrections**

Current year expenditures were incurred for programming, planning, design, and construction costs. Expenditures appear appropriate to the project.

**Contractor lay down area**

Current year expenditures were incurred for construction costs. Expenditures appear appropriate to the project.

**Diesel mechanic floor**

This project was complete as of June 30, 2006. Expenditures appear appropriate to the project.

**Fieldhouse restroom and shower**

This project was complete as of June 30, 2006. Expenditures appear appropriate to the project.

**Carol Meier Lecture Hall roof repair**

This project was complete as of June 30, 2006. Expenditures appear appropriate to the project.

**Central plant**

Current year expenditures were incurred for programming, planning, design, and construction costs. Expenditures appear appropriate to the project.

**ADA master plan**

Current year expenditures were incurred for programming, planning, and design costs. Expenditures appear appropriate to the project.

**Gym repair**

This project was complete as of June 30, 2006. Expenditures appear appropriate to the project.

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**RESULTS OF PROCEDURES** – (continued)

**Monterey Avenue improvements**

This project was completed during the fiscal year ended June 30, 2005. Expenditures appear appropriate to the project.

**Parking lot design and construction**

Current year expenditures were incurred for the programming, planning, design, and construction costs. The two parking lots fronting Monterey Avenue were complete as of June 30, 2005. Expenditures appear appropriate to the project.

**Safety**

This project was complete as of June 30, 2006. Expenditures appear appropriate to the project.

**Sidewalk repair**

Current year expenditures were incurred for programming, planning, design, construction, and equipment costs. Expenditures appear appropriate to the project.

**RECLASSIFICATIONS**

Certain reclassifications have been made to 2007 categorical sub-departments and their allocated costs in order to conform to the 2008 presentation.

**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.