

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

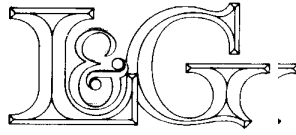
JUNE 30, 2008

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

JUNE 30, 2008

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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 & 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.

DESERT COMMUNITY COLLEGE DISTRICT

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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.

DESERT COMMUNITY COLLEGE DISTRICT

PROPOSITION 39, GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT

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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

PROPOSITION 39, GENERAL OBLIGATION BONDS

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> |

DESERT COMMUNITY COLLEGE DISTRICT

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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> | <u>Total 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> |

DESERT COMMUNITY COLLEGE DISTRICT

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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.