



To the Governing Board, Citizens' Oversight Committee,
and Management
Desert Community College District
Palm Desert, California

We have audited the financial statements of the Measure B General Obligation Bond of Desert Community College District (the District) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Measure B General Obligation Bond of the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the Measure B General Obligation Bond of the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The District did not make any significant estimates during the year related to the Measure B General Obligation Bond Fund.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No such misstatements were noted in completing our audit.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Governing Board, Citizens' Oversight Committee,
and Management
Desert Community College District
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Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2014.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Governing Board, the Citizens' Oversight Committee, and management of Desert Community College District and is not intended to be and should not be used by anyone other than these specified parties.

Warrick Fine, Day & Co. LLP

Riverside, California
December 9, 2014

DESERT COMMUNITY COLLEGE DISTRICT

**MEASURE B GENERAL OBLIGATION BONDS
ELECTION 2004**

AUDIT REPORT

JUNE 30, 2014

DESERT COMMUNITY COLLEGE DISTRICT

**MEASURE B GENERAL OBLIGATION BONDS
ELECTION 2004**

FINANCIAL AUDIT

JUNE 30, 2014

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**FINANCIAL AUDIT
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JUNE 30, 2014**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Desert Community College District's (the District) Measure B General Obligation Bond Fund (General Obligation Bonds, Election 2004) as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure B General Obligation Bond Fund (General Obligation Bonds, Election 2004) of the District at June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure B General Obligation Bond Fund specific to General Obligation Bonds, Election 2004, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the District's Measure B General Obligation Bond Fund's (General Obligation Bonds, Election 2004) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. 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* in considering the District's Measure B General Obligation Bond Fund's (General Obligation Bonds, Election 2004) internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Vaurick Fine, Day & Co. LLP

Riverside, California
December 9, 2014

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**BALANCE SHEET – MODIFIED ACCRUAL BASIS
JUNE 30, 2014**

ASSETS

Investments	\$ 90,626,502
Accounts receivable	43
Interest receivable	45,150
Due from other funds	<u>250,000</u>
Total Assets	<u>\$ 90,921,695</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	<u>\$ 3,974,139</u>
Total Liabilities	<u>3,974,139</u>

FUND BALANCE

Restricted for capital projects	<u>86,947,556</u>
Total Fund Equity	<u>86,947,556</u>
Total Liabilities and Fund Balance	<u>\$ 90,921,695</u>

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

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

REVENUES

Investment income	\$ 626,156
Local revenues	<u>125,000</u>
Total Revenues	<u><u>751,156</u></u>

EXPENDITURES

Supplies and materials	15,857
Other expenses and services	3,511,139
Capital outlay	<u>47,994,511</u>
Total Expenditures	<u><u>51,521,507</u></u>

EXCESS OF EXPENDITURES OVER REVENUES (50,770,351)

FUND BALANCE, BEGINNING OF YEAR 137,717,907
FUND BALANCE, END OF YEAR \$ 86,947,556

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

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Desert Community College District's (the District) Measure B General Obligation Bond Fund conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's Measure B General Obligation Bond Fund accounts for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The audited financial statements include only the Measure B General Obligation Bond Fund of the District. This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bond Election of March 2004. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure B General Obligation Bond Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Bond Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's Board of Trustees adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance - Governmental Funds

As of June 30, 2014, the fund balance of the Measure B General Obligation Bond Fund was classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

NOTE 2 - INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make 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.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investment of debt proceeds are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the District's investment policy. Provisions of the General Obligation Bond, Series 2007 B, provide that moneys will be invested at the written direction of the District, after consultation with the County in: (i) Non-AMT Bonds (as defined in the Resolutions); (ii) Qualified Non-AMT Mutual Funds (as defined in the Resolutions); or (iii) State and Local Government Securities; provided, however, that each of (i), (ii), and (iii) shall have been issued by a local agency of the State or issued by the State or an agency thereof.

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Summary of Deposits and Investments

Investments as of June 30, 2014, consist of the following:

	Reported Amount
Riverside County Treasury	\$ 47,000,810
Municipal bonds	29,125,692
Money market	14,500,000
Total Deposits and Investments	<u>\$ 90,626,502</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Treasury.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	Fair Value	Weighted Average Days to Maturity
Riverside County Treasury	\$ 46,975,901	1.37
Municipal bonds	29,125,692	231
Money market	14,500,000	NA
Total	<u>\$ 90,601,593</u>	

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating
Riverside County Treasury	\$ 46,975,901	NA
Money market	14,500,000	NA
Municipal bonds	7,877,397	Moody's A-
Municipal bonds	4,588,500	Moody's A-
Municipal bonds	13,669,725	Moody's A-
Municipal bonds	2,990,070	Moody's A-
Total	\$ 90,601,593	

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2014, consist of the following:

Interest	\$ 45,150
Other receivables	43
Total Receivables	45,193

NOTE 4 - DUE FROM OTHER FUNDS

At June 30, 2014, the District's Child Development Fund owes the Bond Fund \$250,000.

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consist of the following:

Construction payables	\$ 3,974,139
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**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

Restricted	
Capital projects	<u><u>\$ 86,947,556</u></u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2014, the Measure B General Obligation Bond Fund had the following significant construction commitments with respect to unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Contingency	\$ 8,259,946	Ongoing
Applied Sciences	1,865,645	July 2014
Athletic Facilities	1,354,948	July 2015
Relocations Project	662,214	Ongoing
Planning and Program Management	570,170	Ongoing
Site Remediation	537,241	Ongoing
Math Science Technology	388,559	Ongoing
Child Development Center	385,674	July 2014
Infrastructure Phase III	309,128	Ongoing
Campus Electronic Sign	279,109	Ongoing
Soil Contingency	201,500	Ongoing
Indio Educational Center	199,511	Ongoing
Security Cameras and Emergency Phones	196,295	July 2015
Communications Building	193,056	Ongoing
Stagecraft Shop	173,098	July 2014
Central Plant Monitor Based Commissioning	162,807	Ongoing
Visual Arts Building	153,468	July 2014
East Valley Phase I	124,077	Ongoing
Campus Technology Infrastructure	116,131	Ongoing
Wayfinding	47,277	Ongoing
Imaging	40,298	Ongoing
Demo Central Annex/Cooling Towers	13,955	Ongoing
Cravens Student Center	4,793	Ongoing
	<u><u>\$ 16,238,900</u></u>	

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

INDEPENDENT AUDITOR'S REPORT



**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 Citizens' Oversight Committee
Desert Community College District
Palm Desert, California

We have audited, in accordance with the 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, the accompanying financial statements of the Desert Community College District's (the District) Measure B General Obligation Bond Fund (General Obligation Bonds, Election 2004), as of and for the year ended June 30, 2014, and have issued our report thereon dated December 9, 2014.

As discussed in Note 1, the financial statements present only the Measure B General Obligation Bond Fund specific to General Obligation Bonds, Election 2004, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 testing disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warwick Dine, Day & Co. LLP

Riverside, California
December 9, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2014**

None reported.

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

There were no audit findings reported in the prior year's Financial Statement Findings.