# DESERT COMMUNITY COLLEGE DISTRICT

# PROPOSITION 39, GENERAL OBLIGATION BONDS
# (MEASURE B, MARCH 2004)
# PERFORMANCE AUDIT

## JUNE 30, 2007

# DESERT COMMUNITY COLLEGE DISTRICT

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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 and 2005 Refunding bonds ("Bonds") for the fiscal year ended June 30, 2007, under the applicable provisions of Section 1(b)(3)(c) of Article XIIIA 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, 2007.

Lund & Guttry

November 29, 2007

# DESERT COMMUNITY COLLEGE DISTRICT

## PROPOSITION 39, GENERAL OBLIGATION BONDS PERFORMANCE AUDIT

## JUNE 30, 2007

### 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, 2006 through June 30, 2007, 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, 2006 through June 30, 2007 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, 2007 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. 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. In August, 2004 the first series of bonds in the amount of $65,000,000 was issued. These bonds were issued at a premium of $1,288,727.55 bringing the total proceeds to $66,288,727.55. The total proceeds from the bonds were received by the District (less the original bond issuance costs) and are to be used to finance the construction, acquisition, furnishing and equipping of District facilities. 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. Also, in June, 2005 a portion of the above bonds were refinanced through the issue of 2005 General Obligation Refunding Bonds (the "Refunding Bonds"). The proceeds of these bonds were used to annul a portion of the above bonds, provide for debt service for the remaining portion of the above bonds and provide additional funding to be used for the District's bond projects.

# DESERT COMMUNITY COLLEGE DISTRICT

## PROPOSITION 39, GENERAL OBLIGATION BONDS PERFORMANCE AUDIT

## JUNE 30, 2007

### 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, 2007 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, 2007 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.
- 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 and 2005 Refunding bond funding. The District incurred cumulative total costs of $27,411,091 through June 30, 2007. Of those amounts $12,243,493 were expended during the fiscal year ended June 30, 2007. The projects are outlined on page 4.

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.

## RESULTS OF PROCEDURES - continued

| | Actual Costs for Fiscal Year Ended June 30, 2007 | Actual Costs August 1, 2004 through June 30, 2007 | Total Budget |
|---|---|---|---|
| 1. Infrastructure installation and repair | $ 1,012,529 | $ 1,198,102 | $ - |
| a. Central plant | 621,143 | 721,769 | - |
| b. Sewer system | 300,440 | 300,440 | - |
| c. Water and gas system | 200,192 | 219,425 | - |
| d. Fire hydrant loop | - | 54,219 | - |
| e. Infrastructure master planning | 152,039 | 1,156,858 | - |
| f. Safety | - | 72,205 | - |
| g. ADA transition plan | - | 40,966 | - |
| Subtotal | 2,286,343 | 3,763,984 | 20,900,000 |
| 2. Building and classroom renovation | 254,278 | 301,622 | 993,376 |
| 3. Temporary classroom and office space - | | | |
| Phase I | 7,974 | 1,990,082 | 1,954,246 |
| Phase II | 2,158,043 | 2,551,869 | 2,000,000 |
| Subtotal | 2,166,017 | 4,541,951 | 3,954,246 |
| 4. Parking lot design and construction | 242,959 | 4,293,651 | 4,263,937 |
| 5. Site development - main campus | 2,383,616 | 2,694,998 | 2,600,000 |
| 6. EIR, planning and drawings for buildings | | | |
| a. Campus center | 422,768 | 848,102 | 2,396,055 |
| b. Dining hall reprogramming | 145,439 | 151,119 | - |
| c. Nursing and health sciences | 508,296 | 811,611 | 1,432,415 |
| d. Public safety academy | 650,659 | 1,001,770 | 1,844,727 |
| e. IT classroom | 284,222 | 490,384 | 2,490,665 |
| f. Alumni center | 158,776 | 319,355 | 538,066 |
| Subtotal | 2,170,160 | 3,622,341 | 8,701,928 |
| 7. Site development - East Valley Campus | 527,026 | 1,083,302 | 15,000,000 |
| 8. Site development - West Valley Campus | 166,152 | 520,644 | 500,000 |
| 9. Voice over IP communication | 23 | 959,299 | 959,299 |
| 10. Arts / new scene shop | 50,117 | 68,093 | 6,000 |
| 11. Athletic complex | 276,654 | 279,621 | 99,966 |
| 12. Business building renovation | 181,496 | 191,042 | 80,000 |
| 13. Quickstart projects - unallocated | - | - | 1,958,118 |
| a. Gymnasium renovation and repair | 2,118 | 161,000 | 1,755,100 |
| b. Sidewalk repair | 4 | 41,383 | 41,383 |
| c. Culinary kitchen | 43,789 | 441,146 | 441,399 |
| d. Fieldhouse restroom and shower | 5 | 50,365 | 50,365 |
| e. Diesel mechanic building floor | 198 | 15,130 | 53,174 |
| f. Meier Lecture Hall roof repair | 27,203 | 336,899 | 313,827 |
| g. Safety | 58,117 | 362,456 | 362,456 |
| h. Burn Tower | 26,065 | 26,065 | - |
| i. Science Labs | 10,594 | 10,594 | - |
| j. Contractor Lay down area | 311,612 | 311,612 | - |
| k. Applied Technology roof repair | - | - | 24,178 |
| Subtotal | 479,705 | 1,756,650 | 5,000,000 |
| Contingency reserve | 1,058,947 | 3,333,893 | 13,635,446 |
| Total | $ 12,243,493 | $ 27,411,091 | $ 76,694,198 |

**RESULTS OF PROCEDURES** – (continued)
Each of the projects has been given a specific project identification number 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, 2007. 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:

**Project 1 – Infrastructure installation and repair**
Current year expenditures were incurred for programming, planning and design costs for the entire infrastructure project. Expenditures appear appropriate to the project.

**Project 2 – Building and classroom renovation**
Current year expenditures were incurred for programming, planning and design costs. Expenditures appear appropriate to the project.

**Project 3 – Temporary classroom and office space – Phase 1**
Phase I was completed during the fiscal year ended June 30, 2005. Expenditures appear appropriate to the project.

**Project 4 – Temporary classroom and office space – Phase 2**
Phase I was completed during the fiscal year ended June 30, 2007. Expenditures appear appropriate to the project.

**Project 5 – Parking lot design and construction**
Current year expenditures were incurred for the programming, planning, design and construction of parking lots. The two parking lots fronting Monterey avenue were complete as of June 30, 2005. Expenditures appear appropriate to the project.

**Project 6 – Site development – main campus**
Current year expenditures were incurred for programming, planning and design, and construction costs for the site development of the main campus. Expenditures appear appropriate to the project.

**Project 7 – EIR, planning and drawings for buildings**
Current year expenditures were incurred for programming, planning and design costs for the five buildings. Also, expenditures were incurred for construction costs for the Nursing and Health Sciences building. Expenditures appear appropriate to the project.

**RESULTS OF PROCEDURES** – (continued)

**Project 8 – Site development – East valley campus**

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

**Project 9 – Site development – West valley campus**

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

**Project 10 – Voice over IP communication**

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

**Project 11 – Arts / New scene shop**

This project was complete as of June 30, 2007. Expenditures appear appropriate to the project.

**Project 12 – Athletic complex**

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

**Project 13 – Business building renovation**

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

**Project 14 – Quickstart projects**

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

**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.