



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

We have audited the basic financial statements of the Measure B General Obligation Bond of Desert Community College District (the District) for the year ended June 30, 2013. 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 District are described in Note 1 to the financial statements. No new accounting policies were adopted during the 2013 fiscal year. We noted no transactions entered into by 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 accounting estimates during the year.

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. 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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 2, 2013.

*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 auditors' 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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

*Maureen J. Fine, Day & Co. LLP*

Riverside, California  
December 2, 2013

**DESERT COMMUNITY COLLEGE DISTRICT**

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**MEASURE B GENERAL OBLIGATION BONDS  
ELECTION 2004**

**AUDIT REPORT**

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**JUNE 30, 2013**

**DESERT COMMUNITY COLLEGE DISTRICT**

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**MEASURE B GENERAL OBLIGATION BONDS  
ELECTION 2004  
FINANCIAL AUDIT**

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**JUNE 30, 2013**

**DESERT COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

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JUNE 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Desert Community College District's (the District) General Obligation Bonds Construction Fund (General Obligation Bonds, Election 2004) as of and for the year ended June 30, 2013, 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 our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the General Obligation Bonds Construction Fund (General Obligation Bonds, Election 2004) of the Desert Community College District at June 30, 2013, and the results of its operations for the period then ended in conformity 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 General Obligation Bonds Construction Fund specific to General Obligation Bonds, Election 2004, and are not intended to present fairly the financial position and results of operations of Desert Community College District in conformity 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 2, 2013, on our consideration of the District General Obligation Bonds Construction 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* and should be considered with the results of our audit.

*Vaurin, Irine, Day & Co. LLP*

Riverside, California  
December 2, 2013

**DESERT COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

**BALANCE SHEET – MODIFIED ACCRUAL BASIS  
JUNE 30, 2013**

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**ASSETS**

Cash in bank	\$ 15,809,086
Cash equivalents in the County Treasury	78,337,773
Investments	50,038,746
Interest receivable	63,628
Due from other funds	250,000
<b>Total Assets</b>	<b><u>\$ 144,499,233</u></b>

**LIABILITIES AND FUND BALANCE**

**Liabilities:**

Accounts payable	<u>\$ 6,781,326</u>
<b>Total Liabilities</b>	<b><u>6,781,326</u></b>

**Fund Balance:**

Restricted	
Capital projects	<u>137,717,907</u>
<b>Total Fund Equity</b>	<b><u>137,717,907</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 144,499,233</u></b>

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



**DESERT COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - MODIFIED ACCRUAL BASIS  
JUNE 30, 2013**

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<b>REVENUES</b>	
Investment Income	\$ 964,512
Local revenues	<u>595,000</u>
<b>Total Revenues</b>	<u>1,559,512</u>
<b>EXPENDITURES</b>	
Supplies and materials	56,850
Other expenses and services	3,885,350
Capital outlay	<u>36,937,250</u>
<b>Total Expenditures</b>	<u>40,879,450</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	(39,319,938)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>177,037,845</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 137,717,907</u>

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

**DESERT COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of Desert Community College District (the District) General Obligation Bond Construction Fund (Measure B) 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. Desert Community College District Bond Funds account 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 General Obligation Bond Construction Fund (Measure B) of Desert Community College District (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 General Obligation Bond Construction Fund (Measure B) 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  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**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, 2013, the fund balance of the General Obligation Bond Construction Fund (Measure B) 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  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**General Authorizations**

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**Summary of Investments**

Investments as of June 30, 2013, consist of the following:

	Reported Amount
Cash and equivalents	\$ 15,809,086
Riverside County investment pool	78,337,773
Municipal bonds	50,038,746
Total Deposits and Investments	<u>\$ 144,185,605</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 manages its exposure to interest rate risk by investing in the Riverside County Investment Pool.

**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
County Treasury pool	\$ 49,892,989	1.41
Municipal bonds	50,038,746	1.17
Money market	15,809,086	
Total	<u>\$ 115,740,821</u>	

**DESERT COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>
County Treasury pool	\$ 49,892,989	Not required
Money market	15,809,086	Not required
Municipal bonds	10,488,598	Moody's A-
Municipal bonds	13,120,960	Moody's A-
Municipal bonds	4,032,926	Moody's A-
Municipal bonds	16,413,002	Moody's A-
Municipal bonds	5,983,260	Moody's A-
Total	<u>\$ 115,740,821</u>	

**NOTE 3 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2013, consist of the following:

Interest	<u>\$ 63,628</u>
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**NOTE 4 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2013, consist of the following:

Construction payables	<u>\$ 6,781,326</u>
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**NOTE 5 - FUND BALANCE**

Fund balance is composed of the following element:

Restricted Capital projects	<u>\$ 137,717,907</u>
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**DESERT COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

As of June 30, 2013, the General Obligation Bond Construction 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>
Communications Building	\$ 1,053,109	July 2013
Monterey Entrance and Turn Around	469,354	July 2013
Indio Educational Center	13,701,083	January 2014
Child Development Center	5,013,937	May 2014
Visual Arts Building	5,993,933	May 2014
Applied Sciences	10,662,629	July 2014
Campus Electronic Sign	40,139	July 2014
Stagecraft Shop	1,967,526	July 2014
Athletic Facilities	13,807,377	July 2015
Security Cameras and Emergency Phones	196,295	July 2015
Campus Technology Infrastructure	129,231	Ongoing
Central Plant Monitor Based Commissioning	335,732	Ongoing
Imaging	165,263	Ongoing
Infrastructure Ph III	355,305	Ongoing
Math Science Technology	762,535	Ongoing
Relocations Project	1,065,220	Ongoing
Site Remediation	554,845	Ongoing
Soil Contingency	1,401,500	Ongoing
Wayfinding	410,987	Ongoing
Planning and Program Management	3,350,267	Ongoing
	<u>\$ 61,436,266</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, 2013.



**INDEPENDENT AUDITORS' 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  
General Obligation Bond  
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) General Obligation Bonds Construction Fund (General Obligation Bonds, Election 2004), as of and for the year ended June 30, 2013, and have issued our report thereon dated December 2, 2013.

As discussed in Note 1, the financial statements present only the General Obligation Bonds Construction Fund specific to General Obligation Bonds, Election 2004, and are not intended to present fairly the financial position and results of operations of Desert Community College District in conformity 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### **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.

### **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.

*Vaurinik, Irine, Day & Co. LLP*

Riverside, California  
December 2, 2013

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**DESERT COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2013**

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None reported.

**DESERT COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE B)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013**

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None reported.

**DESERT COMMUNITY COLLEGE DISTRICT**

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**MEASURE B GENERAL OBLIGATION BONDS  
ELECTION 2004**

**PERFORMANCE AUDIT**

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**JUNE 30, 2013**

**DESERT COMMUNITY COLLEGE DISTRICT  
MEASURE B GENERAL OBLIGATION BONDS**

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JUNE 30, 2013**

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**INDEPENDENT AUDITORS' REPORT ON PERFORMANCE**

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

We were engaged to conduct a performance audit of Desert Community College District's (the District) Proposition 39 Measure B General Obligation Bond fund for the year ended June 30, 2013.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Proposition 39 Measure B General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

*Vavrinek, Trine, Day & Co. LLP*

Riverside, California  
December 2, 2013

# **DESERT COMMUNITY COLLEGE DISTRICT MEASURE B GENERAL OBLIGATION BONDS**

**JUNE 30, 2013**

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## ***AUTHORITY FOR ISSUANCE***

The Measure B General Obligation Bonds (the Bonds) are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of Riverside County (the County Resolution), pursuant to a request of the Desert Community College District (the District) made by a resolution adopted by the Board of Education of the District (the District Resolution).

The District received authorization at an election held on March 2, 2004, to issue bonds of the District in an aggregate principal amount not to exceed \$346,500,000 to finance specific acquisition, construction, and modernization projects approved by eligible voters within the District. The Measure required approval by at least 55 percent of the votes cast by eligible voters within the District. The Measure B Bond Funds represent the authorized bond issuance of the Series 2004A, 2007B, 2007C, 2012D, and 2005 Refunding Bonds.

## ***PURPOSE OF ISSUANCE***

Pursuant to the 2004 Authorization, the proceeds of the Bonds will be used to finance the repair, renovation, and construction of facilities noted on a specific Project List for facilities of the District. The bond project list includes:

- The repair, renovation, and/or replacement of obsolete classrooms, labs, instructional facilities, and utilities
- The improvement of emergency access and evacuation routes to increase student safety
- The upgrade, repair, equipment, construction, and/or expansion of classroom buildings, facilities, and sites
- The repair, replacement, and renovation of electrical and mechanical systems to reduce energy consumption
- Repair and replace outdated natural gas, water, sewer, and storm drain systems
- Construct an Allied Health and Nursing Facility
- Redesign wire classrooms to increase the uses of technology
- Install new fire alarms, communication systems, and energy efficient lighting
- Construct an Early Childhood Education and Development Center



# DESERT COMMUNITY COLLEGE DISTRICT MEASURE B GENERAL OBLIGATION BONDS

**JUNE 30, 2013**

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## ***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.
3. Requires the community college district to appoint a Citizens' Oversight Committee.
4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

## ***OBJECTIVES OF THE AUDIT***

Determine whether expenditures charged to the Bond Fund have been made in accordance with the Bond project list approved by the voters through the approval of the Measure B.

## ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2012 to June 30, 2013. The population of expenditures tested 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, other than proceeds of the bonds, were not included within the scope of the audit.

**DESERT COMMUNITY COLLEGE DISTRICT  
MEASURE B GENERAL OBLIGATION BONDS**

**JUNE 30, 2013**

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***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2013, for the Bond Funds (Measure B). 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 Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure B as to the approved Bond projects list. We performed the following procedures:

1. We verified that a separate Bond Construction Fund of the District has been established to account for the receipt of Bond proceeds and expenditure of the funds for the period July 1, 2012 through June 30, 2013.
2. We verified the District has established a Citizens' Bond Oversight Committee comprised of representatives from the seven specific constituency groups required by the Proposition.
3. We verified the Citizens' Bond Oversight committee met regularly during the year and minutes of the meetings were maintained.
4. We selected a sample of expenditures for the period starting July 1, 2012 and ending June 30, 2013, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
5. Our sample included transactions totaling \$16,238,642. This represents 40 percent of the total expenditures of \$40,897,450.
6. We verified that funds from the Bond Construction Fund (Measure B) were generally expended for the voter authorized Bond projects as listed in the Approved Bond Project Listing.
7. We verified that the District used formal bid procedures for those contracts over the construction bid level requirements in accordance with the Education Code requirements and District policies.

***CONCLUSION***

The results of our tests indicated that, in all significant respects, Desert Community College District has properly accounted for the expenditures held in the Bond Funds (Measure B) and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Bond Funds for District general administration or operations. District procedures for disbursement of funds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees.

**DESERT COMMUNITY COLLEGE DISTRICT  
MEASURE B GENERAL OBLIGATION BONDS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

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None reported.