
DESERT COMMUNITY COLLEGE DISTRICT

**MEASURE B GENERAL OBLIGATION BONDS
ELECTION 2004**

PERFORMANCE AUDIT

JUNE 30, 2016

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

**PERFORMANCE AUDIT
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JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of Desert Community College District's (the District) Measure B General Obligation Bond Fund (General Obligation Bonds, Election 2004) for the year ended June 30, 2016.

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
November 4, 2016

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

JUNE 30, 2016

AUTHORITY FOR ISSUANCE

The Measure B General Obligation Bonds (the Bonds) were 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 from 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 BOND FUND**

JUNE 30, 2016

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 Bonds 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, 2015 to June 30, 2016. 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 BOND FUND**

JUNE 30, 2016

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2016, for the Bonds. 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 project list. We performed the following procedures:

1. We verified that a separate Bond 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, 2015 through June 30, 2016.
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 with agendas and/or minutes of the meetings maintained.
4. We selected a sample of expenditures for the period starting July 1, 2015 and ending June 30, 2016, 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 \$2,044,574. This represents 48 percent of the total expenditures of \$4,221,684.
6. We verified that funds from the Bonds were 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, the District has properly accounted for the expenditures held in the Bond Funds and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Bonds 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.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

**DESERT COMMUNITY COLLEGE DISTRICT
MEASURE B GENERAL OBLIGATION BOND FUND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**



To the Board of Trustees, 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, 2016. 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, 2016. 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 Board of Trustees, 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 November 4, 2016.

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 Board of Trustees, 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.

Vavinek Tume Day & Co. LLP

Riverside, California
November 4, 2016