

CITIZENS' BOND OVERSIGHT COMMITTEE

MINUTES

DECEMBER 11, 2012 3:00 P.M. – 4:30 P.M.

FOUNDATION BOARD ROOM

ATTENDEES	<p><u>Members:</u> Mr. Lawrence M. Cohen, Chair (Business Representative); Mr. Kenneth Eklund, (Senior Citizen Group Representative); Mr. Chris Escobedo, (Taxpayers' Association Representative); Mr. Geoffrey Kiehl, Vice Chair (Member At-Large – East Valley); Ms. Brenda Valdez (Student Representative); Mr. Larry Spicer (College Support Organization); Mr. William H. Waldron (Member-At-Large West Valley)</p> <p>Dr. Edwin Deas, College of the Desert's Vice President of Business Affairs; Mr. Steve Renew, College of the Desert's Director of Facilities Services; Mr. Mac McGinnis, Bond Program Manager from EIS Professionals; Mr. Michael O'Neill, College of the Desert's Board of Trustee; Wade Ellis, College of the Desert's Director of Fiscal Services, David Martin, CPA, CFE, Vavrinek, Trine, Day & Co., LLP</p> <p>Recorder: Linda Costagliola Minutes Approved: 3-12-13</p>
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Agenda topics

1. CALL MEETING TO ORDER

LARRY COHEN

DISCUSSION	L. Cohen called the meeting to order at 3:00 p.m. He thanked everyone for their attendance and encouraged all members to ask questions of the auditor.		
CONCLUSIONS			
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE	
1. None			

2. APPROVAL OF MINUTES – JUNE 12, 2012 & SEPTEMBER 11, 2012 MEETINGS

LARRY COHEN

DISCUSSION	<p>A correction was made to the June 12, 2012 meeting minutes. Under item #3, Approval of Minutes – March 13, 2012 meeting, motion was not seconded by G. Kiehl. It should have been W. Waldron. L. Spicer made a motion to approve June 12, 2012 meeting minutes with the correction, seconded by K. Eklund. All in favor. No Opposed. 1 Abstained. Motion Passed.</p> <p>A motion was made by C. Escobedo to approve September 11, 2012 meeting minutes, Seconded by G. Kiehl. All in favor. No Opposed. No Abstained. Motion Passed unanimously.</p>		
CONCLUSIONS	Meeting minutes from June 12, 2012 meeting and September 11, 2012 meeting were approved.		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE	
1. None.			

3. COMMENTS FROM THE PUBLIC

LARRY COHEN

DISCUSSION			
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CONCLUSIONS	No comments were made from the public.	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
1. None.		

4. FINANCIAL AND PERFORMANCE AUDIT RESULTS

VAVRINEK, TRINE, DAY & COMPANY

DISCUSSION	<p>Auditor, David Martin has been with the firm four and a half years. He is a certified public accountant and a certified fraud examiner. He was on the bond, auxiliary and district engagements. The firm has seven offices throughout California. They specialize in governmental work, community colleges, school districts, municipalities and non-profit organizations. The firm was established in 1948. The partner on the engagement is Heidi White. Annually the firm participates in approximately 30 audits ranging from school district bonds, governmental and municipalities bonds, community colleges bonds within Proposition 39. This year David Martin participated in seven different bond engagements. There is documentation of the auditors with their qualifications, background, and experience.</p> <p>This is the firm's first year at College of the Desert (COD). COD went out for public bid inviting all CPA firms in California. Specifically, it was sent to 23 public accounting firms that had community college and bond experience. There were three that applied. Vavrinek, Trine, Day & Company was selected for a three-year engagement.</p> <p><i>Q&A:</i></p> <p>Q. What are things that you've seen in other audits for which you have not qualified it that we should be aware of and maybe be looking for? A. One item is the unallowable expenditures in which a district is expensing bond funds for unapproved projects. Another item that has seen is districts transferring bond funds to the general operating fund to pay for teaching salaries. This is looked over very closely. They take a look at a bid process and make sure that the bid process is following the district's procedures. They verify that they are going out to bid, advertising it for two weeks, awarding the bid to the lowest responsive bidder and that they are ethically following the district's policies and procedures.</p> <p><u>David Martin reviewed the Financial Audit Report:</u></p> <p>The result of the audit report is an unqualified opinion. That is the most desirable opinion received from an auditing firm. It states on page 1 of the report and was read to the committee, "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified accrual basis – of the General Obligation Bonds of Desert Community College District as of June 30, 2012, and the results of its operations – modified accrual basis – for the year then ended, in conformity with the basis of accounting described in Note 2." It means at the beginning of the engagement the auditors calculated a number based on the total net assets of the District. That number is a materiality threshold. They use that number to determine a level in the amount of expenses or revenues in which that would alter a reasonable person's perspective of the financial statements. This opinion states that the financial statements are fairly stated in all material respects. Due to the amount of activity within the bond fund, it would be unrealistic for the firm to look at every single dollar that's expended throughout the year. They calculate that threshold to give them a reasonable starting point in which to perform their engagement.</p> <p><i>Q&A:</i></p> <p>Q. Are these financials prepared on the modified accrual basis as opposed to the accrual basis? A. Yes. Q. In the report, it states that modified accrual basis is not in accordance with governmental accounting standards. So why don't they prepare them on the full accrual basis? A. The full accrual basis is because it takes the financial statements as a whole. The bond fund that we are looking at is a specific fund. Within the accounting principles, with fund accounting you are looking at the specific fund. Modified accrual is acceptable which means that you operate on a cash basis throughout the year and then at year-end you start looking at payables and then switch to an accrual method for closing out the year. When they present for the district report, all the funds are taken collectively as a whole. That is when the auditors present the financial statements in bulk. Q. How would you know if there was a large bill, for example, that was not paid.....do you make the adjustments to record the amounts due that have not been paid yet? A. Yes. The district will make those adjustments. They have their process in which they look at invoices received after year-end to determine if those services were before fiscal year-end. Q. How do you know if he doesn't keep a few invoices in his desk drawer and not show them to you? A. We will verify the cash ledger and we will perform different kinds of quantific procedures on the year-end balance such as analyticals where we will compare the expenses from this year to last year and the budget comparisons. Q. Do you confirm anything with the third parties; vendors or contractors? A. No,</p>
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we use the invoices provided to us from the district as the third parties confirmation. Q. What percentage do you test transactions? A. Approximately 42%. There were not a lot of large projects going on last year so they all fell within materiality. So they got a large portion of what we were doing. Q. Do contractors normally bill on percentage of completion? A. Yes. Q. Is there somebody who is comparing an invoice against what is actually put into the ground? A. Yes. Q. You're not paying ahead for inventory or equipment that has not arrived on the site yet? A. Mac McGinnis said that in some cases, we do. It has to be verified that it is in a bonded facility. They send people to the bonded facility to verify that it is there and it is identified for a project on campus. It does not happen a lot. But on long wait items that you need to get purchased because you know that the prices are going up, you try to get them. You purchase them and then they are obligated to keep them in a bonded warehouse until they are delivered. Q. Do you think about how someone could play the system? There are people that try to be very creative. A. Steve Renew said that for contractor payout applications, several checks occur. The laborer has to be certified by a notary and that comes to the bond office. The inspector of record, project manager, program manager from the bond office and Facilities Director signs off on it and checks it against their dailies. It could happen that we miss something. We are all looking for a different piece. It's not uncommon that the payout application gets sent back because the hours don't look right or they are planning for materials that we have not seen in the bonded warehouse. All of that typically happens at about a week or so ahead of when they actually send it in a draft form where everyone is sitting down and looking at it and making sure that what is going to be submitted is within the right percentage that was asked for. The RFP (request for proposals) includes the percentage of the project complete. If it doesn't match with the contractor, then there is a discussion. Then it goes to Fiscal Services for the director's approval to issue a check and after that it goes to the Riverside County of Education (RCOE) and then RCOE audits it. And at the end of the year, it's audited by the auditors. David Martin said that the auditors determine if the District has a strong set of internal controls in place to prevent fraud and abuse. They tested 42% of expenditures to verify each expenditure package. They check for the invoice, purchase order, the check, all have the proper approvals, were for the correct amount, and that the calculations of the percentage of completion were being reviewed. Out of the 42%, there were over a hundred individual expenditure transactions, we noted no exceptions in which approvals were lacking or not apparent.

Q. The District itself is a tax exempt entity? A. Yes. Q. Why does it buy municipal bonds as opposed to taxable bonds? A. Wade Ellis said that it was part of the whole issuance of the series C and B when COD went out for issuance. It was made up that way so that COD would be able to issue all the bonds out and have the time schedule for the series C to be spent with the series B, 65 million. At that time, COD was thinking about the Mecca/Thermal site and how many years it would take to develop. COD didn't want to lock in to a period of time that those bonds had to be spent. Q. Where are the bonds held? A. The bonds are held at US Bank to the authority of RCOE. The District can't access those funds without going through RCOE.

Q. On page 3, under expenditures, what would be the category for "other expenses and services"? A. Construction management, architects or consultants. Q. Are there expenses that are paid for in advanced by the college and then reimbursed from the bond funds? A. I did not see any during the testing. Q. All the expenses and all the capital outlays are paid directly to the outside parties and not reimbursements from the college? A. Correct.

Q. On page 9, does this list of remaining construction commitments amounts agree with the report from the bond office and the progress report in the annual report? A. It's the same lists of projects but the amounts would be different because this report is as of June 30, 2012. The progress report in the annual report would be different because they are actual costs.

Page 10 is the firm's opinion on the internal control of the District. David Martin read the last sentence, from the last paragraph, to the committee, "We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously." The material weakness is what they would identify as a deficiency in internal control in which material misstatement, fraud and/or abuse could possible happened. The auditing firm did not note any of those deficiencies within the District's control system. Q. There is an internal contradiction with the last sentence in the second paragraph and it states, "Accordingly, we do not express an opinion on the effectiveness of the District's Bond Fund's internal control over financial reporting." In this sentence, you say you do not express an opinion and the last sentence you do give an opinion? A. We are not engaged to put an opinion on the internal controls. We offer it in a sense because we can only test a certain amount of expenditures.

David Martin reviewed the Performance Audit Report:

Page 1, David Martin read out loud the following from the last paragraph, "The results of our tests indicated that the District expended Measure B General Obligation Bond Fund monies only for the specific projects approved by the voters in accordance with Proposition 39."

Page 3, procedures that the firm performed: They verified that the District has a separate bond fund. That all bond funds are maintained and accounted for in a separate fund and that they are not

commingled with other District monies. They verified that the District established a Citizens' Bond Oversight Committee Board. They verified that Citizens' Bond Oversight Committee meet regularly. They selected a sample of expenditures for the period starting July 1, 2011 and ending June 30, 2012, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text. Part of the expenditure testing, not only did they evaluate them for internal control, they looked at the list of approved projects and for each expenditure packet that was reviewed, they reviewed the account code that the fiscal department assigned to that expenditure, and they reviewed the description and the nature of the expense. In their determination, they verified if it was reasonable for the specific bond project in which the expense was for. They noted no exceptions. All expenditures they selected for testing were proper for the specific bond project for which it was assigned. Their testing included transactions totaling \$14,553,928. This represents 42 percent of the total expenditures for the year. They verified that the funds from the Bond Building Fund (Measure B) were generally expended for the voter authorized bond projects as listed in the Approved Bond Project Listing. They verified that the projects in which the District started and were in the process of completing were approved for the ballot. They 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. They verified that the District is following the bidding procedures and they have done all the steps necessary to ensure that the bid was fair and it was advertised and the appropriate bidder was awarded.

David Martin reviewed their letter which describes the nature and timing of the audit. There were no significant findings. It is used to communicate any difficulties encountered during the audit, any corrected and uncorrected misstatements, and any disagreements with the management. There are no instances with any of the items mentioned. It was a clean audit report for both the financial side and performance side.

Q. Did you obtain written representation letters from senior managers and financial managers? A. Yes. Q. Did you do any back testing? Did you review the prior auditors work in 2010-2011 expense? A. We did. We reviewed the audit report to gain an understanding of the District and the operations. So when they came here to perform the audit, they were familiar with the District's policies, procedures, and controls. They did communicate with the prior year auditors as to any challenges in which they encountered during the audit and they did not inform of any. Q. Do you go to their office and review their working papers? A. Yes. Q. Are you aware that there were some suggestions in the local press that the college had too close of a relationship with the prior auditors, whether it is true or not, but you took that into account in the scope of your work? A. Absolutely. Q. You didn't see any deficiencies in their prior work? A. No. We believe from the review of their working papers that they performed an audit within the professional scope of practices.

David Martin commented that the staff of the fiscal services office was very receptive to any questions the auditors had, were proactive on getting the auditors all the documents they requested and they were very responsive to the auditors' time schedules. The audit went very smooth.

There was a suggestion to include an article in The Desert Sun about the clean audits and that the committee had thorough discussions and supports the audit. It would be a good story in The Desert Sun. Trustee O'Neill said that these audit reports will be addressed at the District's Board of Trustees Meeting on December 14, 2012 and that he would be speaking as an observer of the Citizens' Bond Oversight Committee and would be carrying forward the message. They expect a reporter from The Desert Sun to be at the Board of Trustees Meeting.

Motion to accept the audit reports by K. Eklund, seconded by G. Kiehl. All in favor. No opposed. No Abstained. Motion passed unanimously.

CONCLUSIONS	It was a clean audit report for both the financial and performance and it was accepted by the members.
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ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
1. None.		

5. BOND PROJECTS UPDATE
& BOND PROJECT FINANCIAL
REPORT

MAC MCGINNIS & STEVE RENEW

DISCUSSION	M. McGinnis and Steve Renew reviewed the following items from a PowerPoint presentation: <u>Project Status Reports – Current Projects:</u>
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Math Science Technology Center (Formerly Classroom Building) – (Project in Construction)

Architect: Steinberg Architects

Construction Manager: Bernards

Project Square Footage: 40,200 sq. ft.

Construction Start: Spring 2010

Targeted Completion: Fall 2012

Project Update:

- All door closers repaired/adjusted to accommodate 5lbs of pressure
- UPS Room air condition upgrade complete and ready for testing
- Caulking complete on roof metal areas
- Lab equipment received, extinguishers, fire blankets spill kits, etc.
- New plants installed as part of maintenance of landscape
- Gates being refabricated

Sustainable Features:

- Heating and cooling via central hydronics system
- Water-conserving landscape
- Environmental control systems via built-in architectural sun shading devices, and north-facing fenestration
- Energy generation via photovoltaic system
- Building automation controls to optimize mechanical system and energy usage
- Will be minimum Silver LEED certified

Communication Building – (Project in Construction)

Architect: tBP Architecture

Construction Manager: ProWest

Project Square Footage: 39,800 sq. ft.

Construction Start: Fall 2011

Estimated Project Completion: Spring 2013

Project Update:

- Stone veneer installation continues on exterior
- Glazing installation complete
- Cabinet installation ongoing
- Above-ceiling at second floor complete and signed off
- Permanent power initiated November 14th
- Bathroom tile complete; toilet partitions installed
- Project is under budget
- Occupy space during the summer
- Located across the Cravens Student Services Center
- Will consist of classrooms, faculty offices and adjunct faculty offices
- It's ahead of schedule
- It may be occupied in the summer

Sustainable Features:

- Will be minimum Silver LEED certified
- Building automation controls to optimize mechanical system
- Water – conserving landscape
- Heating and cooling via central hydronics system
- Photovoltaics
- Shading strategies

Monterey Entrance (Project in Construction)

Architect: PMSM Architects

Construction Manager: ProWest

Project Square Footage: Exterior Site Work

Estimated Construction Start: Summer 2012

Estimated Project Completion: Spring 2013

Project Update:

- Verified location of sculpture
- Concrete wall formed next to the Communication Building
- Flag pole survey verified that it's 8" out of plumb, contractor to reinstall between semesters – ongoing
- Landscape being stalled on north side of entrance
- Amphitheater footings being dug
- Concrete benches being formed on east side
- Additional concrete fire lane being poured
- Fountain of Knowledge will be included with the Central Redevelopment Project

Sustainable Features:

- Public transportation
- Drought Tolerant Landscaping
- Efficient irrigation system utilizing reclaimed water

Indio Education Center (Project in Design)

Architect: gkkworks

Construction Manager: gkkworks

Project Square Footage: 40,000 sq. ft.

Estimated Construction Start: Fall 2012

Estimated Project Completion: Fall 2013

Project Update:

- Over-excavation & re-compaction of building pad and parking lot complete; building pad grade certified
- City of Indio removed water pipe from property
- Phase 2 is currently out to bid for remaining 13 bid packages
- Project meeting ongoing at site
- Under slab plumbing commenced
- Cross streets are Oasis Street and Requa Avenue

Sustainable Features:

- Will be minimum Silver LEED certified
- Architectural environmental control
- Public transportation

West Valley Campus - Palm Springs (Project in Design)

Architect: HGA Architects

Construction Manager: Sundt Construction

Project Square Footage: 50,000 sq. ft.

Estimated Construction Start: Spring 2013

Estimated Project Completion: Fall 2014

Project Update:

- Project is at DSA for review
- DSA is looking for a larger line due to two wells tying in together – pending
- Riverside flood control is looking for an additional 30' easement – pending
- Submitted drawings to DSA November 19
- DSA bin time less than 6 weeks; review time could be as early as 6 weeks
- Budget needs to be increased for Culinary Arts and hard cost
- The Desert Energy Enterprise Center (DEEC) will be located on this campus

Sustainable Features:

- Will be minimum Gold LEED certified
- Public transportation
- Solar Energy
- Sustainable Site
- 5 Zero Planning

Applied Sciences (Formerly Career Technical Education) - (Project in Design)

Architect: HGA Architects

Construction Manager: Gilbane

Project Square Footage: 21,741 sq. ft.

Estimated Construction Start: Summer 2013

Estimated Project Completion: Summer 2014

Project Update:

- ADA architect coordinating inclusion of the POT into the Applied Sciences project
- New signage standards applied to the project
- Revised HVAC Program revisions included in the project documents
- Final VE proposals scheduled for review by the District
- Construction documents scheduled for District review on 12-7-12
- Lath house and green house dimensions to be as originally sized
- DSA intake tentatively scheduled for 12-17-12
- Single story building
- It will have faculty offices, CAD lab, construction management program, HVAC labs

Sustainable Features:

- Will be minimum Silver LEED certified

Child Development Center (Project in Design)

Architect: HMC Architects

Construction Manager: None

Project Square Footage: 10,314 sq. ft.

Estimated Construction Start: Spring 2013

Estimated Project Completion: Summer 2014

Project Update:

- Revisions to drawings from DSA comments scheduled to be submitted second week of December
- Revised proposal received from FFE consultant and in review
- Will be adjacent to the existing child development center

- Will have a covered pathway to the existing child development center
- Will contain two observation classrooms, kitchen, faculty offices, outdoor playground space, and classrooms

Sustainable Features:

- Will be minimum Silver LEED certified

Athletic Facilities (Project in Design)

Architect: LPA, Inc.

Construction Manager: ProWest

Project Square Footage: 26,840 sq. ft.

Estimated Construction Start: Fall 2012

Estimated Project Completion: Summer 2014

Project Update:

- Salvage contractor continues; progress complicated by shut off conflicts existing utilities
- Demolition of old Bookstore continues. Fiscal Services/HR building demolition rescheduled for December 15 due to delay in relocation of HR to South Annex.
- Project site fencing schedule pending relocation of HR department
- Build a new gymnasium
- Maintaining the existing arcade
- Glass walls on the north side of the building
- The existing shower/locker building will house weight lifting area, coaches office, pilates spaces and workout spaces
- The existing gym will be demolished and six tennis courts will be installed

Sustainable Features:

- Will be minimum LEED Silver certified

Central Campus Redevelopment (Project in Design)

Architect: LPA Architects

Construction Manager: ProWest

Project Square Footage: 66,526 sq. ft.

Estimated Construction Start: Summer 2014

Estimated Project Completion: Spring 2016

Project Update:

- Project Management software input of project data reviewed
- Final Program Verification Meeting and sign-off held with users
- Schematic design underway
- Includes renovations to the existing Administration Building, Liberal Arts Building, HILB Building, Building C and the Courtyard, includes the Fountain of Knowledge.

Sustainable Features:

- Will be minimum LEED Silver certified

Visual Arts (Project in Design)

Architect: Perkins & Will

Construction Manager: Gilbane

Project Square Footage: 13,710 sq. ft.

Estimated Construction Start: Fall 2012

Estimated Project Completion: Fall 2013

Project Update:

- Project rebid advertised; job walk scheduled
- Received and reviewed addendum documents
- Received updated bid schedule for CM
- The darker structure will be a multi-purpose classroom
- The other structure will include labs and have space for a lobby. The lobby will be used as a dual function; hang artwork and have art, photography, life drawing, and ceramics functions.

Sustainable Features:

- Will be minimum LEED Silver certified

Stagecraft (Project in Design)

Architect: PMSM Architects

Construction Manager: None

Project Square Footage: 3,346 sq. ft.

Estimated Construction Start: Spring 2013

Estimated Project Completion: Fall 2013

Project Update:

- Architect completed documents/final coordination with Modular manufacturer
- Page turner review complete
- At DSA for review
- Will include a make-up classroom, costume development and some music practice rooms

Q&A:

Q. Does COD generally use local contractors? A. COD uses a variety of contractors; some are local and some are not. Going through the bidding process, COD has to go with the lowest qualified bidder. COD does have a number of local contractors working on projects right now and some that are not local. As a result of multi-prime bidding for multi-prime projects, because you split the scope up into much smaller job pieces, local painters, framers, roofers, etc. can compete. Bigger project with a general contractor and smaller number of packages, COD tends to see people from Los Angeles area or the Inland Empire area. Each project is broken down into different scopes. So there might be a mechanical scope, electrical scope, painting scope, concrete scope, site concrete scope, glass scope, structural steel scope, roofing scope, etc. This gives smaller contractors more local contractors the ability to bid.

Q. Do we have to process our building plans through each City building department? A. COD has to go through the Division of State Architecture office. Q. Does each City issue building permits? A. It is included in the college's development agreement with each City. Because the college's masters are in Sacramento, we are absolved from local requirements. Q. What about local inspectors? A. We do need approval from the local fire marshal because they will be responding to the campus. They review the plans and make comments. The college has to abide by their comments.

4 Week Look Ahead Schedule for 05/30/12 to 06/27/12

This information was provided so that everyone could see what is going to happen over the next four weeks on the campus.

Financial Report

Project Allocations Budget

- Completed Projects:
 - Bond + Other Budget: \$90,154,705
 - Bond + Other Expenses: \$90,154,405
- Current Projects – Ongoing:
 - Bond + Other Budget: \$278,482,850
 - Bond + Other Expenses: \$117,888,510
 - Bond Only Balance: \$160,594,340
- Future Projects:
 - Bond + Other Budget: \$32,150,000.00
- Contingency
 - Bond + Other Budget: \$430,344.00
 - Bond Balance Only: \$6,425,587.00
- Central Contracted Management Fees:
 - Bond + Other Budget: \$20,949,879
 - Bond + Other Expenses: \$19,728,020
 - Bond Balance: \$1,221,859
- Total Summary of Projects Bond + Other Budget: \$426,821,817
- Total Summary of Projects Bond + Other Expenditures: \$227,771,235
- Total Summary of Projects Bond + Other Balance: \$199,050,582
- Funding Sources:
 - Bond Series "A" - \$65,000,000
 - Bond Series "B" - \$57,850,000
 - Bond Series "C" - \$223,648,444
 - State - \$3,144,000
 - RDA - \$38,121,267
 - Interest - \$30,000,000
 - Refunding - \$7,500,000
 - Foundation - \$400,000
 - Rebates - \$1,158,106
 - TOTAL Funding Sources: \$426,821,817
- Deferred Projects
 - Committed Project Budget: 47,013,440

The bonds that have been issued, interest has to be paid on them and that comes from the tax bill and that money is held by the Riverside County of Education (RCOE). It is a bond interest fund on the District's books but held by RCOE. The money goes directly to RCOE. When there are required principle payments due, the District sends RCOE a notice to pay this bond and how much to pay. There are only one or two bond holders. One or two conglomerates bought all of the bonds. When we go to the market to price out the bonds, they put them out to who will buy the most and who will pay the best but there are generally one or two people there in the bidding process. We did one refunding on series A which

	<p>netted the College about seven and a half million. That was when you could do a refunding and the money came back to the District. Now if you did a refunding, it would go back to RCOE.</p> <p>Upcoming Events: No events currently scheduled.</p>
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CONCLUSIONS	<p>L. Cohen posed the following question to M. McGinnis; "Are you aware of any Bond funds that have been spent or committed for any project or purpose not covered or included in the language of the bond issue approved by the voters?" M. McGinnis responded: "No."</p> <p>L. Cohen posed the following question to S. Renew; "Are you aware of any Bond funds that have been spent or committed for any project or purpose not covered or included in the language of the bond issue approved by the voters?" S. Renew responded: "No."</p>
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ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
1. None		

6. DRAFT 2011-2012 ANNUAL REPORT STEVE RENEW

DISCUSSION	<p>A couple of changes to the annual report:</p> <ul style="list-style-type: none"> • Page 6 – remove "Subsequent to the period covered by this report," from the first paragraph • Page 6 – remove "Lund & Guttry, LLP, a local valley firm," and replace it with Vavrinek, Trine, Day & Co., LLP from the third section – Independent Financial and Performance Audits – first paragraph • Page 8 – Include the year "2011-2012" above the words "Desert Community College District Board of Trustees" • Page 8 - Include approved future meeting dates and times <p>Motion to accept the annual report as amended by K. Eklund, seconded by C. Escobedo. All in favor, No opposed, No Abstain. Motion passed unanimously.</p>
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CONCLUSIONS	2011-2012 Annual Report accepted as amended. This report will be sent out electronically throughout the different agencies throughout the valley.
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ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
1.		

7. COMMENTS EDWIN DEAS

DISCUSSION	<p>L. Cohen mentioned the articles in The Desert Sun and the California Watch regarding the issue of the inflated enrollment. L. Cohen asked E. Deas to comment on this issue today. L. Cohen wanted to understand that this issue had no spill over affect and there were no common deficiencies and problems that affected the Citizens' Bond Oversight responsibilities on this committee. The California Watch article stated the president and unnamed senior managers of the College knew the enrollment data was false and Lund and Guttry didn't catch the improprieties. They had conflicts of interest and had too close of a relationship with COD. L. Cohen said that E. Deas assured L. Cohen that this issue did not carry over to the Citizens' Bond Oversight matters.</p> <p>E. Deas first wanted to mention that administration has almost completed a very comprehensive review of our bond budgets. This is the second time this has been done. The first one was done in 2010 and now COD is doing it again. They are looking at budgets for completed projects, budgets for projects in progress and some of the future projects. This is to make sure that the projects are appropriately budgeted. Many of these budgets were established in 2004, 2005 and 2006. COD will be bringing a comprehensive proposal to the Board of Trustees in January that will involve moving some budgets around and bringing in some alternate funding to augment the bond funding. Should this get approved by the Board of Trustees, this item will come back to this committee in March.</p> <p>Since this committee last met, COD has been entertaining an IRS audit on the bond program, specifically</p>
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	<p>Series C. This is routine. COD had been selected from all of the bond programs taking place in the State of California. COD will report the results of the IRS audit at the next meeting in March.</p> <p>E. Deas went on to talk about the issue of the inflated enrollment. This is a very difficult time for the college. The report that was initially put together for the Chancellor's Office by an organization called FCMAT is very damaging and very accusatory and is one-sided. The media has taken some of the tentative statements made in the FCMAT report and reported them as facts. FCMAT is an organization that is funded by the State to rescue districts that are fiscally insolvent. They can take over running the district, give advice on how to improve their solvency, and to do special audits. This issue is solely related to the counting of students. The counting of students translates into revenue, which is called apportionment. There are two parts to it. If one miscounts the students, one may be paid an inappropriate amount of apportionment and this is what this issue is about. COD overstated their FTES (full-time equivalent students) through an adopted wrong methodology. COD received more apportionment funding than COD was entitled to. There is no dispute by COD about that. There are two problems: One is the magnitude of the penalty. They are strategizing on how to find a way to try to negotiate the worst case into something else. The second issue is the statement in the original report that because the over-counting was known about it for a number of years that there may be fraud. The District Attorney has been invited to look at the case should he wish. We don't know if that is going to occur or not. How does all that connect to the work that is done in this committee? The answer is that it doesn't really connect in any way other than the fact that it is College of the Desert.</p>	
CONCLUSIONS	<p>The bond program, the management of the bond program, the administration of revenues and expenditures, and audits for the bond program are separate from the audit and all of the management and administration of student records and student numbers. These are very separate issues.</p>	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
1. Add Revised Bond Budget and IRS Audit to the March 12, 2013 agenda.	Linda Costagliola	3/12/13

8. SCHEDULE FUTURE MEETINGS

LARRY COHEN

DISCUSSION	<p>There were no issues with the proposed future meeting dates of March 12, 2013, June 11, 2013 and September 10, 2013. There was a suggestion to start the meeting either at 1:30 p.m., 2:30 p.m. or at 3:30 p.m. Everyone agreed with the start time of 3:30 p.m.</p>	
CONCLUSIONS	<p>Proposed future meeting dates were approved and the start time of 3:30 p.m. was approved.</p>	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
1. None.		

9. FUTURE AGENDA ITEMS

LARRY COHEN

DISCUSSION	<ul style="list-style-type: none"> • Workshop on Roles & Responsibilities of the Citizens' Bond Oversight Committee, by bond attorney David Casnocha • Revised Bond Budget • IRS Audit 	
CONCLUSIONS		
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
1. Add agenda items to March 12, 2013 agenda.	Linda Costagliola	3/12/13

Meeting adjourned at 4:38 p.m. by a motion from C. Escobedo, seconded by W. Waldron. All Approved. Motion Passed.		