

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE L BOND FUND
GENERAL OBLIGATION BONDS**

AUDIT REPORT

JUNE 30, 2011

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE L BOND FUND
GENERAL OBLIGATION BONDS
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**IMPERIAL COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE L**

INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING

On November 4, 2004 the Imperial Community College District was successful in obtaining authorization from District voters to issue up to \$58,600,000 in General Obligation Bonds pursuant to a 55% vote in a Bond election under Measure L. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual independent financial audit of the proceeds from the sale of bonds until all proceeds have been expended.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The Imperial Community College District Measure L Citizens' Oversight Committee as of June 30, 2011 was comprised of the following members:

Marlene Best	Chair
Nicole Nicholas Gilles	Member
Timothy E. Kelley	Member
Douglas T. Kline	Member
Jackie W. Loper	Member
Gil Perez	Member
Robert E. Hahn	Member
Everett Taylor	Member
Lisa Nichole Tylenda	Student Representative

INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and
Citizens' Oversight Committee
Imperial Community College District
Imperial, California**

We have audited the accompanying financial statements of the Measure L Bond Fund of Imperial Community College District as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governments* issued by the American Institute of Certified Public Accountants and the standards applicable to financial audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note B, the financial statements present only the Measure L Bond Fund and is not intended to present fairly the financial position and results of operations of Imperial Community College District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure L Bond Fund of Imperial Community College District as of June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011, on our consideration of Imperial Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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 in assessing the results of our audit.

El Cajon, California
December 8, 2011

FINANCIAL SECTION

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 MEASURE L BOND FUND
 GENERAL OBLIGATION BONDS
 BALANCE SHEET
 JUNE 30, 2011**

ASSETS

CURRENT ASSETS

Cash and Investments	\$ 8,501,756
Accounts Receivable	<u>689,424</u>

TOTAL ASSETS 9,191,180

LIABILITIES AND FUND BALANCE

Accounts Payable	<u>275,778</u>
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TOTAL LIABILITIES 275,778

FUND BALANCE

Designated for Capital Projects	<u>8,915,402</u>
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TOTAL LIABILITIES AND FUND BALANCE \$ 9,191,180

The accompanying notes are an integral part of these financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE L BOND FUND
GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

REVENUES	
Federal Revenue	\$ 666,900
Interest Income	146,955
Other Local Revenue	4,307
TOTAL REVENUES	818,162
EXPENDITURES	
Classified Salaries	7,414
Employee Benefits	1,070
Materials and Supplies	9,992
Other Operating Expenses:	
Facility/Equipment Rental Expense	64,444
Architects and Consultants	654,803
Fees, Renewals, Permits	271,457
Other Operating Expenses	265,777
Capital Outlay:	
Sites and Site Improvements	2,426,420
Capital Equipment	55,466
New Equipment	137,190
TOTAL EXPENDITURES	3,894,033
EXCESS OF EXPENDITURES OVER REVENUES	(3,075,871)
NET CHANGE IN FUND BALANCE	(3,075,871)
FUND BALANCE, BEGINNING OF YEAR	11,991,273
FUND BALANCE, END OF YEAR	\$ 8,915,402

The accompanying notes are an integral part of these financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE L BOND FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

A. Definition of the Fund

In January 2005, the Measure L Bond Fund was formed to account for and finance the addition and modernization of college facilities for the District as set forth in the ballot measure approved by the District's voters at the Bond Election from the issuance of Election 2004 General Obligation Bonds. The fund is one of the Capital Project Funds of the District.

B. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

Financial Reporting Entity

The accompanying financial statements are used to account for the transactions of the Measure L Bond Fund as defined in Note A and are not intended to present fairly the financial position and results of operations of Imperial Community College District in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The Measure L Bond Fund of the District is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). 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 sources.

Budgets and Budgetary Accounting

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. The Board of Trustees 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.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE L BOND FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

B. Summary of Significant Accounting Policies (Continued)

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 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 reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the Imperial County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The county is authorized to deposit cash and invest excess funds by California Government Code §53648 et.seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE L BOND FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

B. Summary of Significant Accounting Policies (Continued)

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure L Bond Fund are determined by its measurement focus. The Measure L Bond Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet.

The reported fund balances is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Measure L Bond Fund are accounted for in the basic financial statements of the Imperial Community College District.

C. Cash and Investments

Cash in County Treasury

The District maintains significantly all of its cash in the Imperial County Treasury as part of the common investment pool. As of June 30, 2011 the portion of cash in county treasury attributed to the Measure L Bond Fund was \$8,501,756. The fair value of the Fund’s portion of this pool as of that date, as provided by the pool sponsor, was \$8,501,756. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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 statement 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.

The county is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE L BOND FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

C. Cash and Investments (continued)

a. *Credit Risk*

Credit Risk is the risk that an issuer or their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. *Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. *Concentration of Credit Risk*

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. *Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. *Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

f. *Investment Accounting Policy*

The district is required by GASB statement No. 31 to disclose its policy for determining which investments, if any are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure; however, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 MEASURE L BOND FUND
 GENERAL OBLIGATION BONDS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011
 (Continued)**

C. Cash and Investments (continued)

f. Investment Accounting Policy (continued)

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Accounts Receivable

Accounts receivable at June 30, 2011 consisted of:

Federal revenue	\$ 666,900
Interest	<u>22,524</u>
Total	<u>\$ 689,424</u>

E. Accounts Payable

Accounts payable at June 30, 2011 consisted of:

Construction	\$ 266,778
Other	<u>9,000</u>
Total	<u>\$ 275,778</u>

F. General Obligation Bonds

In January 2005, the District authorized the sale and issuance of General Obligation Bonds, Election of 2004, Series 2005A in the amount of \$24,500,000. Proceeds from the sale of the bonds will be used to finance the addition and modernization of college facilities for the District. Interest is payable February 1 and August 1, commencing August 1, 2005 at rates ranging from 3.30% to 7.00%. Principal is payable August 1, commencing August 1, 2006 and through the maturity date August 1, 2029.

In November 2006, the District authorized the sale and issuance of General Obligation Bonds, Election of 2004, Series 2006B in the amount of \$13,285,473. Proceeds from the sale of the bonds will be used to provide funding for the addition and modernization of college facilities for the District. Interest is payable February 1 and August 1, commencing August 1, 2007 at rates ranging from 4.00% to 4.25%. Principal is payable on August 1, commencing August 1, 2009 and through the maturity date August 1, 2031.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE L BOND FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

F. General Obligation Bonds (continued)

In November 2007, the District authorized the sale and issuance of General Obligation Bonds, Election of 2004, Series 2007C in the amount of \$11,915,816. Proceeds from the sale of the bonds will be used to finance the addition and modernization of college facilities for the District. Interest is payable February 1 and August 1, commencing August 1, 2008 at rates ranging from 4.00% to 7.00%. Principal is payable on August 1, commencing August 1, 2009 and through the maturity date August 1, 2032.

In May 2009, the District issued \$3,031,779 in General Obligation Bonds, Election of 2004 and Series 2009D in order to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at variable interest rates ranging from 3.6%-6.9% commencing August 1, 2009. Principal is payable on August 1 of each year commencing August 1, 2009 through the maturity date August 1, 2033.

In May 2009, the District issued \$5,866,919 in General Obligation Bonds, Election of 2004 and Series 2009E in order to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at an interest rate of 6.9% commencing August 1, 2009. Principal is payable on August 1 of each year commencing August 1, 2033 and through the maturity date August 1, 2037.

The outstanding 2004 Election bonded debt of the District as of June 30, 2011 is as follows:

<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amounts Outstanding Issue</u>	<u>Amounts Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Amounts Outstanding June 30, 2011</u>
2005	3.3%-7.0%	2029	\$ 24,500,000	\$ 22,575,000	\$ -	\$ 385,000	\$ 21,840,000
2006	4.0%-4.3%	2031	13,285,473	12,835,473	-	555,000	12,280,473
2007	4.0%-7.0%	2032	11,915,816	11,890,816	-	25,000	11,865,816
2009	3.6%-6.9%	2034	3,031,779	3,031,779	-	-	3,031,779
2009	6.9%	2038	5,866,919	5,866,919	-	-	5,866,919
Totals			<u>\$ 58,599,987</u>	<u>\$ 55,849,987</u>	<u>\$ -</u>	<u>\$ 965,000</u>	<u>\$ 54,884,987</u>

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2011 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,110,000	1,430,099	2,540,099
2013	1,165,000	1,362,261	2,527,261
2014	1,330,000	1,300,585	2,630,585
2015	1,507,436	1,239,472	2,746,908
2016	1,714,149	1,172,576	2,886,725
2017-2021	10,148,788	6,814,416	16,963,204
2022-2026	12,681,509	9,274,392	21,955,901
2027-2031	15,496,016	12,868,859	28,364,875
2032-2036	7,998,546	28,731,454	36,730,000
2037-2041	1,733,543	12,716,457	14,450,000
Totals	<u>\$ 54,884,987</u>	<u>\$ 76,910,571</u>	<u>\$ 131,795,558</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 MEASURE L BOND FUND
 GENERAL OBLIGATION BONDS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011
 (Continued)**

G. Accreted Interest

Accreted interest represents amounts that have been compounded for the general obligation bonds which were issued as capital appreciation bonds. Accreted interest on capital appreciation bonds issued under the 2004 Election as Series D and Series E general obligation bonds amounted to \$828,034 at June 30, 2011 which represents the entire amount that will be repaid in the years the accreted interest becomes due.

H. Construction Commitments

As of June 30, 2011, the District Measure L Bond Fund had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>
Construction in process:		
Parking Lot Phase IV	\$ 102,090	January 2012
Building 400 Modernization	\$ 4,332,328	May 2012

*Expected date of final completion subject to change.

OTHER INDEPENDENT AUDITOR'S REPORTS

**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***

**Governing Board Members and
Citizens Oversight Committee
Imperial Community College District
Imperial, California**

We have audited the financial statements of the Measure L Bond Fund of Imperial Community College District (District) for the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Imperial Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Imperial Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Imperial Community College District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 Imperial Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

El Cajon, California
December 8, 2011

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

**Governing Board Members and
Citizens Oversight Committee
Imperial Community College District
Imperial, California**

We have audited the financial statements of the Measure L Bond Fund of Imperial Community College District as of and for the fiscal year ended June 30, 2011 and have issued our report thereon dated December 8, 2011. Our audit was made in accordance with generally accepted auditing standards in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition 39 Measure L General Obligation Bonds for the fiscal year ended June 30, 2011. The objective of the audit of compliance applicable to Imperial Community College District is to determine with reasonable assurance that:

- The proceeds from the sale of the Measure L General Obligation Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure, will modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve facilities of the District as noted in the bond project list.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

Internal Control Evaluation

Procedure Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Measure L resources.
- Prevent material misstatement in the Measure L Bond Fund financial statements.
- Ensure all expenditures are properly allocated.
- Ensure adequate separation of duties exists in the accounting of Measure L funds.

Internal Control Evaluation (continued)

- Verify 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 July 1, 2010 through June 30, 2011.
- Verify through examination of the bond issue settlement statement and accounting records that the net proceeds from the sale of the General Obligation Bonds were recorded in the separate fund of the District and any amounts set aside for debt service were deposited into the related bond interest and redemption fund.

Purchase requisitions are required for all expenditures. All requisitions are reviewed for proper supporting documentation. The requisitions then get approval from the Vice President of Business Services. The Vice President of Business Services verifies that all expenditures are properly recorded by project and expense category. When the purchase requisition has gone through the approval process, it will then be turned into a purchase order.

Purchase orders are then processed via the District's normal purchase order system. Purchase orders are then provided to the vendor who then proceeds to perform the requested service or provide the requested item.

After the service is performed or item received and subsequent invoice is received requesting payment, the Director of Fiscal Services or Vice President for Business Services verifies the services were performed or the items were received and then invoices are processed for payment.

The District has established a separate Measure L Bond Fund to properly account for the receipt of bond proceeds and expenditures. The District has properly recorded receipts of bond proceeds within the Measure L Bond Fund.

Results of Procedures Performed

The results of our audit determined the internal control procedures as implemented are sufficient to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations.

Facilities Site Walkthrough

Procedures Performed:

We performed a walkthrough of various site projects of the District to verify that Measure L funds expended for the year ended June 30, 2011 were for valid facilities acquisition and construction purposes. We reviewed various site projects where the construction work occurred.

Results of Procedures Performed:

During our visit to the various site projects where the construction work occurred, we were given an explanation by management, familiar with the construction work, of the work performed. Based on our review of the sites and the explanation of management, it appears the construction work performed was consistent with the Bond Project List.

Tests of Expenditures

Procedures Performed:

We tested expenditures to determine whether Measure L funds were spent solely on voter and Board approved college facilities projects as set forth in the Bond Project List and the Measure L ballot measure language. Our testing included a sample of vendor and payroll payments, totaling approximately \$3,620,396 or approximately 92% of total consolidated Measure L Bond Fund expenditures for the year.

Results of Procedures Performed:

We found no instances where expenditures tested were not in compliance with the terms of the Measure L ballot measure and applicable state laws and regulations.

Tests of Contracts and Bid Procedures

Procedures Performed:

We reviewed the District’s board minutes for approval of construction contracts and, if any, change orders to determine compliance with the District’s policy and Public Contract Code provisions related to biddings and contracting.

Results of Procedures Performed:

We noted no instances where the District was out of compliance with respect to contracts and bidding procedures.

Citizens’ Oversight Committee

Procedures Performed:

We have reviewed the minutes of the Citizens’ Oversight Committee meetings to verify compliance with Education Code sections 15278 through 15282.

Results of Procedures Performed:

We have determined the Imperial Community College District’s Measure L Citizens’ Oversight Committee and its involvement is in compliance with Education Code sections 15278 through 15282. Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied, in all material respects, with the compliance requirements for the Measure L Bond Fund, for the fiscal year ended June 30, 2011.

This report is intended solely for the information and use of the District’s Governing Board, the Measure L Bond Citizens’ Oversight Committee, management, others within the entity, and the taxpayers of Imperial Community College District and is not intended to be and should not be used by anyone other than these specified parties.

FINDINGS AND RESPONSES SECTION

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE L BOND FUND
GENERAL OBLIGATION BONDS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

There were no findings to report.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MEASURE L BOND FUND
GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

There were no findings reported in the June 30, 2010 audit.