

**San Diego  
Community College District  
Proposition S Bond Building Fund**

San Diego, California

*Financial Statements and  
Independent Auditors' Reports*

*For the year ended June 30, 2012*



**San Diego Community College District  
Proposition S Bond Building Fund**

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# **San Diego Community College District Proposition S Bond Building Fund**

## **Introduction and Citizens' Oversight Committee Member Listing**

San Diego Community College District (the "District") is located entirely within San Diego County and consists of three two-year colleges and six continuing education centers. All three colleges are fully accredited by the Accrediting Commission for the Community and Junior Colleges of the Western Association of Schools and Colleges.

The District is governed by an elected five member Board of Trustees. The five Trustees are elected in even-numbered years to four-year terms by the voters in the District. The boundaries of the District did not change during the year ended June 30, 2012.

On November 5, 2002, by majority election of the District's registered voters, \$685,000,000 in general obligation bonds ("Proposition S") were authorized to be issued and sold for the benefit of the District. Proceeds from the bonds are to be used for acquisition, construction, renovation, repair and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District. Under the terms of Proposition S, a Citizens' Oversight Committee was established to oversee the expenditures of the Proposition S proceeds. The bonds are scheduled to be issued in four increments over a ten-year period. The first issuance and sale of general obligation bonds consisted of three series. Series 2003A and Series 2003C which closed on May 29, 2003 for a combined principal amount of \$96,585,000 and Series 2003B which closed on August 27, 2003 for a principal amount of \$8,415,000. The three series totaled \$105,000,000 and after issuance cost, refunding of a Lease Revenue Bond series and defeasement of a Certificate of Participation series, the net deposit to the Building Fund at the County Treasury was \$77,238,522. In addition to the 2003 series, the District issued Series 2005 in the amount of \$244,999,901 in fiscal year 2006, Series 2009 in the amount of \$131,293,506 in fiscal year 2009, and Series 2011 in the amount of \$99,999,859 in fiscal year 2012.

Proposition S was a Proposition 39 bond. 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 [Article XIII A, §1(b) (3) (C)] as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects [Article XIII A, §1(b) (3) (D)].

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' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

# San Diego Community College District Proposition S Bond Building Fund

## Introduction and Citizens' Oversight Committee Member Listing, Continued

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2012:

<u>Name</u>	<u>Office</u>	<u>Affiliation</u>
George Hawkins	Chair	Taxpayer Organization
Evonne Seron Schulze	Vice Chair	Senior Citizens Organization
Houshmand Aftahi	Member	At Large
Leslie Bruce	Member	At Large
Allen Chan	Member	At Large
Sunita Cooke	Member	At Large
Scott Crosby	Member	Taxpayer Organization
Berit Durler	Member	At Large
Alex Hu	Member	At Large
Ed Oremen	Member	At Large
Jessica Saenz-Gonzalez	Member	Business Organization
Jon Walz	Member	At Large
Michelle Hawks	Student Member	Student Organization



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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees and  
the Citizens' Bond Oversight Committee  
San Diego Community College District  
San Diego, California

We have audited the accompanying balance sheet and statement of revenues, expenditures, and changes in fund balances for the Proposition S Bond Building Fund ("Bond Fund") of the San Diego Community College District ("District") as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the financial statements present only the Proposition S Bond Building Fund and are not intended to, and do not, present fairly the financial position of San Diego Community College District as of June 30, 2012, and the changes in fund balance thereof for the year then ended 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 and results of activities and changes in fund balance for the Bond Fund of the District as of June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

The Board of Trustees and  
the Citizens' Bond Oversight Committee  
San Diego Community College District  
San Diego, California  
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012, on our consideration of the Bond Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Proposition S Bond Fund. The Introduction and Citizens' Oversight Committee Member Listing are presented for purpose of additional analytics and are not a required part of the financial statements. The Introduction and Citizens' Oversight Committee Member Listing have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on them.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style with a vertical line through the letter 'J'.

San Diego, California  
November 20, 2012



## **FINANCIAL STATEMENTS**

**San Diego Community College District**  
**Proposition S Bond Building Fund**  
**Balance Sheet**  
**June 30, 2012**

**ASSETS**

Cash and investments	\$ 90,641,860
Accounts receivable	86,407
	86,407
<b>Total assets</b>	<b>\$ 90,728,267</b>
	<b>\$ 90,728,267</b>

**LIABILITIES AND  
FUND BALANCES**

**Liabilities:**

Accounts payable and accrued liabilities	3,713,819
Due to other District funds	6,547,928
	6,547,928
<b>Total liabilities</b>	<b>10,261,747</b>
	<b>10,261,747</b>

**Fund Balances:**

Restricted for capital projects	80,466,520
<b>Total fund balances</b>	<b>80,466,520</b>
	<b>80,466,520</b>
<b>Total liabilities and fund balances</b>	<b>\$ 90,728,267</b>
	<b>\$ 90,728,267</b>

**San Diego Community College District**  
**Proposition S Bond Building Fund**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the year ended June 30, 2012**

**REVENUES:**

Interest income	\$ 698,777
<b>Total revenues</b>	698,777

**EXPENDITURES:**

Salaries	436,364
Employee benefits	158,293
Capital outlays and other expenditures	60,106,488
<b>Total expenditures</b>	60,701,145

**OTHER FINANCING SOURCES (USES)**

Proceeds from issuance of bonds	99,999,859
Costs of issuance	(622,609)
<b>Total other financing sources (uses)</b>	99,377,250

<b>Change in net assets</b>	39,374,882
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**FUND BALANCES:**

Beginning of year	41,091,638
End of year	\$ 80,466,520

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**San Diego Community College District**  
**Proposition S Bond Building Fund**  
**Notes to Financial Statements**  
**For the year ended June 30, 2012**

**1. ORGANIZATION**

The San Diego Community College District (the "District") serves approximately 100,000 students per semester as represented by five voting districts within Greater San Diego. The District currently operates San Diego City College, Miramar College, Mesa College and the Continuing Education Centers, which provide post-secondary instruction in an array of educational classes, programs and services. The colleges offer associate degrees in the arts and sciences, in addition to advanced and basic certificates of learning.

The accompanying financial statements present the financial position and results of activities for the District's Proposition S Bond Building Fund ("Bond Fund"). Escrow funds, debt service funds, costs of issuance and bonded debt are not presented in the accompanying financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are as follows.

The budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

Fund Structure

The Statement of Revenues, Expenditures, and Changes in Fund Balances is a statement of financial activities of the Bond Fund related to the current reporting period. Expenditures of the fund frequently include amounts for supplies, buildings, equipment, transfers to other funds, etc.

Basis of Accounting

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

Budget

Budgets are based on a project basis as determined by contracts awarded and bond funds available for expenditure. Current project budget information may be obtained by contacting the Vice Chancellor - Facilities Management, 3375 Camino del Rio South, San Diego, CA 92108-6509.

**San Diego Community College District**  
**Proposition S Bond Building Fund**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Cash in County Treasury

In accordance with Education Code §41001, the District maintains its cash in the San Diego County Treasury. The County pools these funds with those of other districts in the County and invests the cash. Interest earned is deposited quarterly into participating funds.

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Fund are determined by its measurement focus. The 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 balance is considered a measure of “*available spendable resources*”. Thus, the capital assets and long-term liabilities associated with the Bond Fund are accounted for in the financial statements of the District and are not included in the accompanying financial statements.

Classification of Fund Balances

Fund balances are classified as follows:

*Nonspendable Fund Balance* - This amount indicates the portion of funds balances which cannot be spent because they are either not in spendable form, such as prepaid items, inventories or loans receivable, or legally or contractually required to be maintained intact, such as the principal portion of an endowment.

*Restricted Fund Balance* - This amount indicates the portion of fund balances which has been restricted a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* - This amount indicate the portion of fund balances which can only be used for specific purposes pursuant to formal resolution or ordinance of the Board of Trustee.

*Assigned Fund Balance* - This amount indicates the portion of fund balances which is constrained by the District’s intent to be used for specific purpose, but is neither restricted nor committed. The Chancellor is authorized to determine and define the amount of assigned fund balances.

*Unassigned Fund Balance* - This amount indicates the portion of fund balance that do not fall into one of the above categories.

**San Diego Community College District**  
**Proposition S Bond Building Fund**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Spending Policy

When expenditures are incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, the District's policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance:

- Restricted
- Committed
- Assigned
- Unassigned

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**3. CASH AND INVESTMENTS**

The District maintains its cash in the San Diego County Treasury as part of the common investment pool. At June 30, 2012, the carrying value was \$90,641,860. 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.

**San Diego Community College District**  
**Proposition S Bond Building Fund**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2012**

**4. EXPENDITURES BY PROJECT**

Bond Fund expenditures by project for the year ended June 30, 2012 consisted of the following:

<u>Project Name</u>	<u>Site</u>	<u>Expenditures</u>
Career Technology Center	City	\$ 342,629
Renovate "L" Building	City	8,969
Hourglass Park Field House (3)	Miramar	(918,216)
ECC Skills Center Relocation	CE	(11,281)
West City Center Point Loma	CE	5,075
District Service Center	CE	45,097
Allied Health/Middle College High School	Mesa	27,126
Miramar Infrastructure	Miramar	(1,092,573)
North City Center	CE	6,538,356
Mesa College Student Service Renovation	Mesa	17,343,793
Renovate "P" Building	City	19,206
Child Development Center	City	8,300
College Repro/Mailroom Relocation	Miramar	1,944
Land Acq General Classroom Building	City	33,347,093
Consolidation of Cntr Ct and Cesar Chavez	CE	421,149
Ms College East Campus Improvement Project	Mesa	4,008
Project Management	District	3,300,883
Social & Behavioral Science Building	Mesa	1,301,247
Fitness Center	Mesa	8,340
<b>Total Bond Fund Expenditures</b>		<b>\$ 60,701,145</b>

**5. CONSTRUCTION COMMITMENTS**

In addition to capital outlay expenditures included in the financial statements, the District has construction commitments of approximately \$54,396,824 as of June 30, 2012.

**6. DUE TO OTHER DISTRICT FUNDS**

On occasion, other District funds pay for expenditures on behalf of the Bond Fund and are subsequently reimbursed by the Bond Fund. At June 30, 2012, the Bond Fund owed other District funds \$6,547,928 for expenditures made on its behalf.



**San Diego Community College District**  
**Proposition S Bond Building Fund**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2012**

**7. BONDED DEBT OF THE DISTRICT**

The District received authorization at an election held on November 5, 2002, by more than fifty-five percent of the votes cast by eligible voters within the District, to issue general obligation bonds not to exceed \$685,000,000 under Proposition 39. These bonds are issued in multiple series as general obligations of the District and therefore are not included in the accompanying financial statements. The following information is provided for purposes of additional analysis only.

Schedule of changes in General Obligation Bonds for 2012

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>	<u>Due In More</u> <u>Than One Year</u>
General Obligation Bonds:						
Proposition S:						
2003 Series A	\$ 40,440,000	\$ -	\$ (39,310,000)	\$ 1,130,000	\$ 1,130,000	\$ -
2005 Series	239,911,752	-	(231,383,869)	8,527,883	2,539,482	5,988,401
2009 Series	131,293,506	-	-	131,293,506	-	131,293,506
2011 Series	-	99,999,859	-	99,999,859	6,050,000	93,949,859
<b>Total</b>	<u>\$ 411,645,258</u>	<u>\$ 99,999,859</u>	<u>\$ (270,693,869)</u>	<u>\$ 240,951,248</u>	<u>\$ 9,719,482</u>	<u>\$ 231,231,766</u>

Tax-Exempt General Obligation Bonds, Election of 2002, Series 2003A

On May 29, 2003, \$86,345,000 in tax-exempt general obligation bonds (Series 2003A) were delivered to refund the District's Series 2000B Lease Revenue Bonds and to establish a project fund for the acquisition, construction, renovation, repair and modernization of certain District property and facilities. The issue consists of several serial bonds and a term bond. The serial bonds (\$71,195,000) mature in varying amounts from May 1, 2005 through 2024, with coupon rates ranging from 3% to 5% and yield rates ranging from 0.95% to 4.32%. The remaining \$15,150,000 term bond matures on May 1, 2028 with a 5% coupon rate and yield rate of 4.39%. Debt service consists of interest and principal payable May 1 of each year, commencing on May 1, 2005.

Bond proceeds, net of related issuance costs, were deposited with the trustee for establishment of the building fund, a debt service fund and refunding of the Series 2000B Lease Revenue Bonds. The District had used the original proceeds of the Series 2000B Lease Revenue Bonds to finance the acquisition and construction of new buildings and the renovation of previously existing buildings.

The bonds are solely payable from *ad valorem* property taxes levied. The District pledged all *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the Tax-Exempt General Obligation Bonds, Election of 2002, Series 2003A. During the year, \$23,150,000 was advance refunded via the issuance of the Series 2011 General Obligation Refunding bonds and \$15,150,000 was advance refunded via the issuance of the Series 2012 General Obligation Refunding bonds. Total principal and interest remaining on the bonds is \$1,180,850, payable through 2013.

**San Diego Community College District**  
**Proposition S Bond Building Fund**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2012**

**7. BONDED DEBT OF THE DISTRICT, Continued**

Present value of minimum lease payments for general obligation bonds, Series 2003 A, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,130,000	\$ 50,850	\$ 1,180,850
<b>Total</b>	<b>\$ 1,130,000</b>	<b>\$ 50,850</b>	<b>\$ 1,180,850</b>

General Obligation Bonds, Election of 2002, Series 2005

On October 19, 2005, the District issued the general obligation bonds, election of 2002, Series 2005 in the amount of \$244,999,901. The issue is comprised of \$229,170,000 of serial bonds maturing in varying amounts from May 1, 2015 through 2030, with coupon and yield rates ranging from 3.95% to 5.00% and \$15,829,901 of capital appreciation bonds maturing in varying amounts from May 1, 2008 through 2015, with coupon and yield rates ranging from 3.28% to 4.34%. The purpose of the bonds is to finance the acquisition, construction and modernization of certain property and District facilities.

The bonds are solely payable from *ad valorem* property taxes levied. The District pledged all *ad valorem* property tax levied and collected to repay the outstanding principals and interest of the Tax-Exempt General Obligation Bonds, Election of 2002, Series 2005. During the fiscal year, \$229,170,000 was advance refunded via issuance of the 2012 General Obligation Refunding Bonds. Total principal and interest remaining on the bonds is \$12,230,000, payable through 2015.

Present value of minimum lease payments for general obligation bonds, Series 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,539,482	\$ 905,518	\$ 3,445,000
2014	2,854,576	1,215,424	4,070,000
2015	3,133,825	1,581,175	4,715,000
<b>Total</b>	<b>\$ 8,527,883</b>	<b>\$ 3,702,117</b>	<b>\$ 12,230,000</b>

**San Diego Community College District**  
**Proposition S Bond Building Fund**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2012**

**7. BONDED DEBT OF THE DISTRICT, Continued**

General Obligation Bonds, Election of 2002, Series 2009

On April 28, 2009, the District issued the general obligation bonds, election of 2002, series 2009 in the amount of \$131,293,506. The issue is comprised of \$8,065,000 of current interest serial bonds maturing in varying amounts from August 1, 2015 through 2029, with coupon and yield rates ranging from 2.70% to 4.87%, \$93,230,000 of term bonds due August 1, 2033, with coupon and yield rates at 5.10%, and \$29,998,506 of convertible capital appreciation bonds maturing August 1, 2033, with coupon and yield rates at 6.00%. The purpose of the bonds is to finance the acquisition, construction and modernization of certain property and District facilities.

The bonds are general obligations of the District and are payable solely from *ad valorem* taxes levied and collected by the County. The District pledged all *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the Tax-Exempt General Obligation Bonds, Election of 2002, Series 2009. Total principal and interest remaining on the bonds is \$279,982,616, payable through 2034.

Aggregate annual maturities and sinking fund requirements for the Series 2009 general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 5,277,088	\$ 5,277,088
2014	-	5,277,088	5,277,088
2015	-	5,277,088	5,277,088
2016	50,000	5,276,088	5,326,088
2017	625,000	5,262,588	5,887,588
2018-2022	4,725,000	33,749,813	38,474,813
2023-2027	-	41,590,688	41,590,688
2028-2032	43,010,000	40,017,038	83,027,038
2033-2034	82,883,506	6,961,631	89,845,137
<b>Total</b>	<b>\$ 131,293,506</b>	<b>\$ 148,689,110</b>	<b>\$ 279,982,616</b>

**San Diego Community College District**  
**Proposition S Bond Building Fund**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2012**

**7. BONDED DEBT OF THE DISTRICT, Continued**

General Obligation Bonds, Election of 2002, Series 2011

On July 7, 2011, the District issued the general obligation bonds, election of 2002, Series 2011 in the amount of \$99,999,859. The issue is comprised of \$83,550,000 of current interest serial bonds maturing in varying amounts from August 1, 2012 through 2032, with coupon and yield rates ranging from .027% to 5.00% and \$16,449,859 of capital appreciation bonds maturing in varying amounts from August 1, 2034 through 2041, with coupon and yield rates ranging from 6.53% to 6.69%. The purpose of the bonds is to finance the acquisition, construction and modernization of certain property and District facilities.

The bonds are solely payable from *ad valorem* property taxes levied and collected by the County of San Diego. The District pledged all *ad valorem* property tax levied and collected to repay the outstanding principals and interest of the Tax-Exempt General Obligation Bonds, Election of 2002, Series 2011. Total principal and interest remaining on the bonds is \$230,284,562, payable through 2042.

Aggregate annual maturities and sinking fund requirements for the Series 2011 General Obligation Bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 6,050,000	\$ 6,605,784	\$ 12,655,784
2014	100,000	6,558,409	6,658,409
2015	165,000	6,554,759	6,719,759
2016	1,225,000	6,534,734	7,759,734
2017	1,290,000	6,490,559	7,780,559
2018-2022	6,900,000	31,783,251	38,683,251
2023-2027	21,560,000	28,849,357	50,409,357
2028-2032	37,245,000	21,287,732	58,532,732
2033-2037	16,261,921	12,227,198	28,489,119
2038-2042	9,202,938	3,392,920	12,595,858
<b>Total</b>	<b>\$ 99,999,859</b>	<b>\$ 130,284,703</b>	<b>\$ 230,284,562</b>



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**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**

The Board of Trustees and  
the Citizens' Bond Oversight Committee  
San Diego Community College District  
San Diego, California

We have audited the accompanying financial statements of the Prop S Bond Fund ("Bond Fund") of the San Diego Community College District ("District") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 2012. 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**

Management of the Bond Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Bond Fund's internal control over financial reporting as a basis for designing our auditing procedures 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 Bond Fund'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Bond Fund'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.

The Board of Trustees and  
the Citizens' Bond Oversight Committee  
San Diego Community College District  
San Diego, California  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Bond Fund'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 basic 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 instance 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 the Board of Trustees, the Citizen's Bond Oversight Committee and District's management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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San Diego, California  
November 20, 2012

## **PERFORMANCE AUDIT**

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## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Trustees and  
the Citizens' Bond Oversight Committee  
San Diego Community College District  
San Diego, California

We have conducted a performance audit of the Proposition 39 General Obligation Bond of the San Diego Community College District ("District") Prop S Bond Building Fund ("Bond Fund") for the fiscal year ended June 30, 2012.

We conducted our performance audit in accordance with *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. Our audit was limited to the objectives listed below, which includes determining the District's compliance with the performance requirements for the Proposition 39/ Proposition S General Obligation Bonds under the applicable provisions of Section 1 (b)(3)(C) of Article XIII A of the California Constitution and Proposition as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

### OBJECTIVES:

The objectives of our performance audit were to:

- Document the expenditures charged to the District's Proposition S General Obligation Bond Funded Capital Outlay Projects.
- Determine whether the proceeds of the sale of the Proposition S Bonds were used for the purposes set forth in the ballot measure and not for any other purpose, including teacher and administrator salaries and other college operating expenses.
- Provide the District Board of Trustees and the Citizens' Bond Oversight Committee with a performance audit as required under the provision of the California Constitution and Proposition 39.

### SCOPE OF THE AUDIT:

The scope of our performance audit covered the period of July 1, 2011 to June 30, 2012. The 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 the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2012 were not reviewed or included within the scope of our audit or in this report.

The Board of Trustees and  
the Citizens' Bond Oversight Committee  
San Diego Community College District  
San Diego, California

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if the internal controls were adequate to ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1 (b)(3)(C) of Article XIII A of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance with the performance requirements of Proposition 39/Proposition S. Accordingly, we express no such opinion.

In our opinion, the District complied, in all material respects, with the performance requirements of the Proposition 39, as specified by Section 1 (b)(3)(C) of Article XIII A of the California Constitution for the year ended June 30, 2012. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with *Government Auditing Standards*.

This report is intended solely for the information of the Board of Trustees, management and the Citizens' Bond Oversight Committee and is not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style with a large, stylized initial "P" and "M".

San Diego, California  
November 20, 2012

**San Diego Community College District  
Proposition S Bond Building Fund  
Schedule of Findings and Questioned Costs  
For the year ended June 30, 2012**

There were no findings or questioned costs related to the performance audit of the Bond Fund for the year ended June 30, 2012.