

PROPOSITION S

**PROPOSITION 39 BOND BUILDING FUND OF
SAN DIEGO COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2014



San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
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June 30, 2014**

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**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Introduction and Citizens' Oversight Committee Member Listing
June 30, 2014**

San Diego Community College District (the "District") is located entirely within San Diego County and consists of three two-year colleges and seven 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, and Continuing Education is fully accredited by the Accrediting Commission for Schools (ACS) of the Western Association of Schools and Colleges (WASC).

The District is governed by a 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, 2014.

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. The bonds are scheduled to be issued in four increments over a ten-year period.

Proposition S bonds were issued by the District, through the County of San Diego. On May 15, 2003, Series 2003 A, B and C of the Proposition S bond authorization were issued, which consisted of serial bonds and term bonds with an initial total par amount of \$105,000,000 with stated yield rates of 0.95% to 4.39% and maturing through May 1, 2028. Series 2003 was advance refunded during 2011-12 via the issuances of the Series 2011 General Obligation Refunding bonds and the issuance of the Series 2012 General Obligation Refunding bonds.

On October 5, 2005, Series 2005 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and capital appreciation bonds with an initial par amount of \$244,999,901 with stated yield rates of 3.28% to 4.34% and maturing through May 1, 2030.

On April 28, 2009, Series 2009 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and convertible capital appreciation bonds with an initial par amount of \$131,293,506 with stated yield rates of 2.70% to 6.00% and maturing through August 1, 2033.

On July 7, 2011, Series 2011 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds and capital appreciation serial bonds with an initial par amount of \$99,999,859 with stated yield rates of 0.27% to 6.69% and maturing through August 1, 2041.

On July 7, 2011, Series 2011, Refunding, of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of \$22,230,000 with stated yield rates of 0.38% to 3.55% and maturing through August 1, 2023.

On March 7, 2012, Series 2012, Refunding was issued, with an initial par amount of \$279,755,000 with stated yield rates of 0.18% to 3.10% and maturing through August 1, 2029. The Series 2012, Refunding retired \$313,830,000 of debt including \$267,470,000 of Series 2003A and Series 2005 of the Proposition S

bond authorization. As a result, approximately 85.2% of the debt service related to the Series 2012, Refunding is attributable to Proposition S.

On July 17, 2013, Series 2013 was issued which consisted of current interest bonds with an initial par amount of \$103,705,000 with stated yield rates of 0.20% to 4.25% and maturing through August 1, 2032.

Proposition S is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. 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 the bonds until all of the proceeds have been expended for facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures that must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition S including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Oversight Committee had the following members as of June 30, 2014, all of whom were appointed by the District's Board of Trustees with two year terms, with a maximum of three consecutive terms of office:

Name	Title	Representation	Education Code Section
Evonne Seron Schulze, Chair	Chairperson	Active in a Senior Citizens' Organization	15282(a)(2)
Ed Oremen, Vice Chair	Vice-Chairperson	Community -at- Large	15282(a)
Leslie Bruce	Member	Community -at- Large	15282(a)
Sunita Cooke, Ph.D.	Member	Community -at- Large	15282(a)
Patricia Cowett	Member	Community -at- Large	15282(a)
Scott Crosby	Member	Active in a Bona Fide Taxpayers' Organization	15282(a)(3)
Pierre Domercq	Member	Community -at- Large	15282(a)
Gerald Hosenkamp	Member	Active in a Bona Fide Taxpayers' Organization	15282(a)(3)
Sarah Kruer Jager	Member	Community -at- Large	15282(a)
Jean-Paul de Kervor	Member	Community -at- Large	15282(a)
David MacVean	Member	Community -at- Large	15282(a)
Jeff Marston*	Member	Active in the Support and Organization of the Community College District	15282(a)(5)
Jessica Saenz-Gonzalez	Member	Active in a Business Organization	15282(a)(1)
Thomas Scanlan	Member	Community -at- Large	15282(a)
Rosalie Schwartz, Ph.D.	Member	Community -at- Large	15282(a)
Glen Sparrow, Ph.D.	Member	Active in a Bona Fide Taxpayers' Organization	15282(a)(3)
Christopher Ward	Member	Community -at- Large	15282(a)
Jose Arturo Alvarez-Malo	Student Member	Student who is Currently Enrolled in the District and Active in a Community College Group	15282(a)(4)

*Jeff Marston resigned on September 26, 2013 and Thomas Kaye is serving the term from July 1, 2014 through June 30, 2016.

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

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State Board of Accountancy

Governing Board Members and
Proposition S Citizens' Oversight Committee
San Diego Community College District
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition S Bond Building Fund of San Diego Community College District (the "Proposition S Bond Building Fund") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Proposition S Bond Building Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Proposition S general obligation bonds as issued by the District, through the County of San Diego, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition S Bond Building Fund of San Diego Community College District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Proposition S Bond Building Fund's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014 on our consideration of the Proposition S Bond Building Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Proposition S Bond Building Fund's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated December 2, 2014 on our consideration of the Proposition S Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 Bond Building Fund for the Year Ended June 30, 2014 and should be considered in assessing the results of our financial audit.

Christy White Associates

San Diego, California
December 2, 2014

FINANCIAL SECTION

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Balance Sheet
June 30, 2014**

ASSETS	
Cash and investments	\$ 102,051,783
Accounts receivable	<u>115,337</u>
Total Assets	<u>\$ 102,167,120</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 2,483,269
Due to other funds	<u>4,839,810</u>
Total Liabilities	<u>7,323,079</u>
FUND BALANCE	
Restricted for capital projects	<u>94,844,041</u>
Total Fund Balance	<u>94,844,041</u>
Total Liabilities and Fund Balance	<u>\$ 102,167,120</u>

The accompanying notes to financial statements are an integral part of this statement.

**PROPOSITION 5 BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2014**

REVENUES	
Interest income	\$ 501,412
Other local revenue	4,798
	<hr/>
Total Revenues	506,210
	<hr/>
EXPENDITURES	
Salaries	301,902
Employee benefits	109,121
Supplies and materials	166,367
Other operating expenses and services	411,729
Capital outlay	55,127,399
Other outgo	6,781
	<hr/>
Total Expenditures	56,123,299
	<hr/>
OTHER FINANCING SOURCES AND USES	
Proceeds from long-term debt	103,571,481
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Total Other Financing Sources and Uses	103,571,481
	<hr/>
Net Change in Fund Balance	47,954,392
	<hr/>
Fund Balance, July 1, 2013	46,889,649
	<hr/>
Fund Balance, June 30, 2014	\$ 94,844,041
	<hr/>

The accompanying notes to financial statements are an integral part of this statement.

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2014**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The San Diego Community College District (the “District”) serves approximately 100,000 students per semester and is governed by a five member Board of Trustees. The District currently operates San Diego City College, Miramar College, Mesa College and Continuing Education, 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, Continuing Education offers advanced and basic certificates of training.

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.

An oversight committee to the District’s Governing Board and Chancellor, called the Citizens’ Oversight Committee (COC), was established pursuant to the requirements of state law and the provisions of the Proposition S bonds. The COC is required by state law to actively review and report on the proper expenditure of taxpayers’ money for school construction. The COC provides oversight and advises the public whether the District is spending the Proposition S Bond funds for school capital improvements within the scope of projects outlined in the Proposition S Bond project list. In fulfilling its duties, the COC reviews, among other things, the District’s annual performance and financial audits of Proposition S activity.

The statements presented are for the individual Proposition S Bond Building Fund of the District, consisting of the net construction proceeds of the Proposition S general obligation bonds as issued by the District, through the County of San Diego, and are not intended to be a complete presentation of the District’s financial position or results of operations. There are no related parties or component units included in this financial statement presentation.

B. Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**PROPOSITION 5 BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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 financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

E. Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains its cash in the San Diego County Treasury. The county pools these funds with those of other local government agencies in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's Governing Board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's governing board to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

H. Fund Balance

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance in the Proposition S Bond Building Fund is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

NOTE 2 – CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

**PROPOSITION 5 BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (continued)

Policies and Practices (continued)

Cash in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District’s investment in the pool is reported in the accounting financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

The authority to invest District funds deposited with the County of San Diego is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (continued)

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The Proposition S Bond Building Fund's portion of the District's investment with the San Diego County Investment Pool has a fair value of \$102,051,783. The weighted average maturity for this pool as of June 30, 2014 is 366 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Per the County's investment policy, the investments within the San Diego County Investment pool must maintain an overall Standard & Poor's credit rating of AAf/S1 or higher.

NOTE 3 – CONSTRUCTION COMMITMENTS

As of June 30, 2014, the Proposition S Bond Building Fund had commitments with respect to unfinished capital projects amounting to approximately \$37,263,172.

NOTE 4 – 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, 2014, the Bond Fund owed other District funds \$4,839,810 for expenditures made on its behalf.

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 5 – PROPOSITION S GENERAL OBLIGATION BONDS

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 as of June 30, 2014:

	Date of Issue	Yield %	Maturity Date	Balance		Adjusted Balance			Balance June 30, 2014	Current Portion
				July 1, 2013	Adjustments	July 1, 2013	Additions	Deletions		
2005 Series	10/5/2005	3.28-4.38%	5/1/2030	\$ 8,230,906	\$ (661,330)	\$ 7,569,576	\$ -	\$ 2,854,576	\$ 4,715,000	\$ 4,715,000
2009 Series	4/28/2009	2.70-6.00%	8/1/2033	131,293,506	7,372,030	138,665,536	2,275,874	-	140,941,410	-
2011 Series	7/7/2011	0.27-6.69%	8/1/2041	101,321,889	(5,583,272)	95,738,617	1,224,910	165,000	96,798,527	1,225,000
2011 Series, Refunding	7/7/2011	0.38-3.55%	8/1/2023	22,130,000	-	22,130,000	-	1,300,000	20,830,000	1,400,000
2012 Series, Refunding	3/7/2012	0.18-3.10%	8/1/2029	236,736,902	-	236,736,902	-	123,580	236,613,322	127,842
2013 Series	7/17/2013	0.20-4.25%	8/1/2032	-	-	-	103,705,000	-	103,705,000	1,500,000
				<u>\$ 499,713,203</u>	<u>\$ 1,127,428</u>	<u>\$ 500,840,631</u>	<u>\$ 107,205,784</u>	<u>\$ 4,443,156</u>	<u>\$ 603,603,259</u>	<u>\$ 8,967,842</u>

General Obligation Bonds, Election of 2002, Series 2005

On October 5, 2005, Series 2005 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and capital appreciation bonds with an initial par amount of \$244,999,901 with stated yield rates of 3.28% to 4.34% and maturing through May 1, 2030.

Year Ended	Principal	Interest	Total
June 30, 2015	\$ 3,133,825	\$ 1,581,175	\$ 4,715,000
Accretion	1,581,175	(1,581,175)	-
Total	<u>\$ 4,715,000</u>	<u>\$ -</u>	<u>\$ 4,715,000</u>

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 5 – PROPOSITION S GENERAL OBLIGATION BONDS (continued)

General Obligation Bonds, Election of 2002, Series 2009

On April 28, 2009, Series 2009 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and convertible capital appreciation bonds with an initial par amount of \$131,293,506 with stated yield rates of 2.70% to 6.00% and maturing through August 1, 2033.

Year Ended June 30,	Principal	Interest	Total
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	1,150,000	5,227,088	6,377,088
2019	1,575,000	5,164,713	6,739,713
2020-2024	2,000,000	39,994,288	41,994,288
2025-2029	-	41,590,688	41,590,688
2030-2033	125,893,506	30,342,394	156,235,900
Accretion	9,647,904	(9,647,904)	-
Total	\$ 140,941,410	\$ 128,487,031	\$ 269,428,441

General Obligation Bonds, Election of 2002, Series 2011

On July 7, 2011, Series 2011 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds and capital appreciation serial bonds with an initial par amount of \$99,999,859 with stated yield rates of 0.27% to 6.69% and maturing through August 1, 2041.

Year Ended June 30,	Principal	Interest	Total
2015	\$ 165,000	\$ 3,701,788	\$ 3,866,788
2016	1,225,000	3,681,763	4,906,763
2017	1,290,000	3,637,588	4,927,588
2018	1,295,000	3,592,363	4,887,363
2019	1,425,000	3,551,563	4,976,563
2020-2024	9,245,000	16,883,344	26,128,344
2025-2029	30,260,000	12,039,250	42,299,250
2030-2034	32,495,000	3,284,625	35,779,625
2035-2039	11,298,375	46,006,625	57,305,000
2040-2042	5,151,484	29,498,516	34,650,000
Accretion	2,948,668	(2,948,668)	-
Total	\$ 96,798,527	\$ 122,928,755	\$ 219,727,281

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 5 – PROPOSITION S GENERAL OBLIGATION BONDS (continued)

General Obligation Bonds, Election of 2002, Series 2011, Refunding

On July 7, 2011, Series 2011, Refunding, of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of \$22,230,000 with stated yield rates of 0.38% to 3.55% and maturing through August 1, 2023.

Year Ended June 30,	Principal	Interest	Total
2015	\$ 1,400,000	\$ 898,300	\$ 2,298,300
2016	1,570,000	838,900	2,408,900
2017	1,660,000	766,000	2,426,000
2018	1,815,000	688,200	2,503,200
2019	1,965,000	612,600	2,577,600
2020-2024	12,420,000	1,581,250	14,001,250
Total	\$ 20,830,000	\$ 5,385,250	\$ 26,215,250

General Obligation Bonds, Election of 2002, Series 2012, Refunding

On March 7, 2012, Series 2012, Refunding was issued, which consisted of serial bonds with an initial par amount of \$279,755,000 with stated yield rates of 0.18% to 3.10% and maturing through August 1, 2029. Approximately 85.2% of the Series 2012 Refunding is attributable to Proposition S, with the remainder attributable to Proposition N.

Year Ended June 30,	Principal	Interest	Total
2015	\$ 127,842	\$ 11,496,042	\$ 11,623,884
2016	4,457,407	11,427,263	15,884,670
2017	5,181,842	11,256,765	16,438,607
2018	5,978,721	11,033,552	17,012,273
2019	11,914,828	10,616,108	22,530,936
2020-2024	85,231,932	42,094,650	127,326,582
2025-2029	99,183,702	19,198,012	118,381,714
2030	24,537,047	613,426	25,150,473
Total	\$ 236,613,321	\$ 117,735,818	\$ 354,349,139

**PROPOSITION 5 BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2014**

NOTE 5 – PROPOSITION 5 GENERAL OBLIGATION BONDS (continued)

General Obligation Bonds, Election of 2002, Series 2013

On July 17, 2013, Series 2013 was issued which consisted of current interest bonds with an initial par amount of \$103,705,000 with stated yield rates of 0.20% to 4.25% and maturing through August 1, 2032.

Year Ended June 30,	Principal	Interest	Total
2015	\$ 1,500,000	\$ 5,059,575	\$ 6,559,575
2016	600,000	5,046,075	5,646,075
2017	1,500,000	5,010,075	6,510,075
2018	-	4,980,075	4,980,075
2019	-	4,980,075	4,980,075
2020-2024	5,390,000	24,551,788	29,941,788
2025-2029	21,710,000	21,874,800	43,584,800
2030-2032	73,005,000	7,159,375	80,164,375
Total	\$ 103,705,000	\$ 78,661,838	\$ 182,366,838

SUPPLEMENTARY INFORMATION

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures by Project for Proposition S
For the Year Ended June 30, 2014**

Bond Fund expenditures by project for the year ended June 30, 2014 consisted of the following:

Project Name	Site	Expenditures
Career Technology Center	City	\$ 28,675
Technology & Distribution Center (3)	Miramar	443
ECC Skills Center Relocation	CE	2,513
West City Center Point Loma	CE	236,374
District Service Center	CE	121,315
District Computer Hardware & Software	District	7,989,739
Miramar Infrastructure	Miramar	(32,294)
North City Center	CE	2,443,874
Mesa College Student Service Renovation	Mesa	305,737
Renovate "P" Building	City	9,609
Land Acq General Classroom Bldg.	City	114,745
Consolidation of Cntr Ct and Cesar Chavez	CE	17,305,814
Ms College East Campus Improvement Project	Mesa	31,598
Project Management	District	2,932,564
Social & Behavioral Science Building	Mesa	24,087,293
Fitness Center	Mesa	402,756
Ms Campus Facilities Support Renovation	Mesa	142,544
Total Bond Fund Expenditures		\$ 56,123,299

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**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**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

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Independent Auditors' Report

Governing Board Members and
Proposition S Citizens' Oversight Committee
San Diego Community College District
San Diego, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition S Bond Building Fund, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Proposition S Bond Building Fund's basic financial statements, and have issued our report thereon dated December 2, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Proposition S Bond Building Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Proposition S Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Proposition S Bond Building Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Proposition S Bond Building 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 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Diego, California
December 2, 2014

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

Heather Rubio

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San Diego Community College District
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition S Bond Building Fund, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Proposition S Bond Building Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Proposition S General Obligation Bonds for the Year Ended June 30, 2014. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of the Proposition S Bonds were only used for the purposes set forth in the Proposition S ballot language and not for any other purpose, such as teacher and administrative salaries.

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

Internal Control Evaluation

Procedures Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Proposition S projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Proposition S funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)
- To follow applicable regulations, including regulations related to bidding and contract management

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the fiscal year 2013-14 financial statement balances for the Proposition S Bond Building Fund are not materially misstated.

Results of Procedures Performed:

The result of our audit tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unqualified opinion was expressed on the financial statements.

Facilities Site Walk

Procedures Performed:

We performed site walks to verify that Proposition S funds expended for the Year Ended June 30, 2014 were for valid facilities acquisition and construction purposes. CWA toured multiple District facilities projects at Mesa College and Continuing Education where Proposition S work had taken place during the 2013-14 fiscal year. At Mesa College we toured the Social and Behavioral science building that was completed in 2014 and at Continuing Education we toured the North City building and the new construction started from the consolidation of Center City and Cesar Chavez.

Results of Procedures Performed:

Results of the site walks indicate that the major 2013-14 Proposition S construction projects were successfully completed and closed out or advanced into 2014-15 construction phases where applicable.

Test of Expenditures

Procedures Performed:

The following performance tests of expenditures and transfers were performed:

We tested expenditures to determine whether Proposition S funds were spent solely on voter and Board approved school facilities projects (as set forth in the District's Facilities Master Plan and the Proposition S ballot measure language). The expenditure test included a sample of 46 payments, totaling \$22.45 million. Expenditures sampled in our test included payments made to contractors, consultants and other vendors.

Results of Procedures Performed:

We found the expenditures and transfers tested to be in compliance with the terms of the Proposition S ballot measure, Facilities Plan, and applicable state laws and regulations without exception.

Test of Contracts and Bid Procedures

Procedures Performed:

For the fiscal year ended June 30, 2014, we performed testing of three contracts to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

- Project: Cesar Chavez Earthwork
Original Contract Award Amount: \$3,032,922
- Project: West City Parking Lot Improvement
Original Contract Award Amount: \$499,000
- Project: Cesar Chavez Glazing
Original Contract Award Amount: \$655,559

Procedures Performed:

We found that the contracts tested above for bidding procedures followed proper bidding procedures and were awarded to the lowest responsible and responsive bidder.

Citizens' Oversight Committee

Procedures Performed:

In accordance with AB 1908 (Assembly Bill) and Ed Code Section 15278, the District is required to establish a bond oversight committee for Prop 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers association, support and organization of the District, and one student. The COC is to meet pursuant to Education Code Section 15280.

Results of Procedures Performed:

In our review of the minutes of the Citizens' Oversight Committee for Proposition S, we found that meetings held during fiscal year 2013-14 were properly documented.

Our audit of compliance was made for the purposes set forth in the second and third paragraphs of this report and would not necessarily disclose all instances of noncompliance.

Opinion

In our opinion, based on the fieldwork described above as well as the other tests that we conducted, the District complied with the compliance requirements for the Proposition S General Obligation Bonds as listed and tested above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on accountability requirements pursuant to the passage of Proposition 39 and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California

December 2, 2014

**SCHEDULE OF FINDINGS
AND RECOMMENDATIONS**

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2014**

There were no findings or recommendations related to the audit of the Proposition S Bond Building Fund for the year ended June 30, 2014.

**PROPOSITION S BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2014**

There were no findings or recommendations related to the audit of the Proposition S Bond Building Fund for the year ended June 30, 2013.