# San Diego Community College District

## Proposition N Bond Building Fund

San Diego, California

# Financial Statements and Independent Auditors' Reports

For the year ended June 30, 2012



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#### 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 7, 2006, by majority election of the Districts' registered voters, \$870,000,000 in general obligation bonds ("Proposition N") 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 N, a Citizens' Oversight Committee was established to oversee the expenditures of the Proposition N 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 closed on July 18, 2007 for a principal amount of \$224,996,823 along with a premium of \$8,448,575. After issuance costs and establishment of a debt service fund, the net deposit to the Building Fund at the County Treasury was \$224,996,823. In addition to the 2007 Series, the District also issued Series 2011 in the amount of \$250,000,000 in fiscal year 2012.

Proposition N 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 XIIIA, §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 XIIIA, §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.

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

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

Name	Office	Affiliation
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
Jesseca 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 N 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 N 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 Page 2

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 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 N 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.

San Diego, California November 21, 2012 FINANCIAL STATEMENTS

Balance Sheet June 30, 2012

#### **ASSETS**

Cash and investments	\$ 200,350,087
Accounts receivable	205,601
Total assets	\$ 200,555,688
LIABILITIES AND	
FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 10,529,093
Due to other District funds	19,423,507
Total liabilities	29,952,600
Fund Balances:	
Restricted for capital projects	170,603,088
Total fund balances	170,603,088
Total liabilities and fund balances	\$ 200,555,688

## Statement of Revenue, Expenditures, and Changes in Fund Balance For the year ended June 30, 2012

Interest income	\$ 1,554,485
Total revenues	1,554,485
EXPENDITURES:	
Salaries	877,707
Employee benefits	317,154
Capital outlays and other expenditures	158,444,209
Total expenditures	159,639,070
OTHER FINANCING SOURCES (USES):	
Proceeds from bond issuance	250,000,000
Costs of issuance	(1,556,523)
Total other financing sources (uses)	248,443,477
Change in net assets	90,358,892
FUND BALANCES:	
Beginning of year	80,244,196
End of year	\$ 170,603,088

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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 N 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 N 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:

<u>Nonspendable Fund Balance</u> – 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.

<u>Restricted Fund Balance</u> – 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.

<u>Committed Fund Balance</u> – 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.

<u>Assigned Fund Balance</u> – 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.

<u>Unassigned Fund Balance</u> – This amount indicates the portion of fund balance that do not fall into one of the above categories.

## San Diego Community College District Proposition N 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 accounting principles generally accepted in the United States of America 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 \$200,350,087. 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.

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:

Project Name	Site	Expenditures
Humanities Building	City	\$ 14,798,809
Business Tech Building	City	(203)
Engineering Tech.	City	8,993
Science Building	City	14,134,588
Renovate M-Building	City	316,124
Renovate A-Building	City	4,496
Construct Languages and Speech	City	468,342
Infrastructure	City	4,778,575
Math & Science	Mesa	35,206,478
Instructional Tech Building	Mesa	19,800
Infrastructure	Mesa	1,951,533
Cafeteria/Bookstore/ Stockroom	Mesa	352,563
Modular Village	Mesa	4,304
Regional Pub. Safety Inst.	Miramar	76,345
Interim Library	Miramar	260,619
Café/Bookstore	Miramar	18,402,580
Science Building Addition	Miramar	1,263,429
Auto Tech Career Building	Miramar	252,427
Aviation Maint. Tech Center	Miramar	7,045,833
Heavy Advanced Transportation	Miramar	6,087,506
Parking Structure #1	Miramar	1,801,826
Campus Dev. Infrastructure	Miramar	5,610,714
College Serv Ctr-Police/Emergency	Miramar	4,334,757
Public Info Office	Miramar	31,189
Maintenance Facility	Miramar	4,036
Claremont Linda Vist Building	CE	15,343,392
ECC Ph II Wing-Reno. And Relo of Admin Building	CE	6,271,424
Temporary Technology Village	Mesa	5,864
Temporary Parking/All-Weather Track and Field	Mesa	1,407,703
Program Management	District	7,668,422
Library Resource Center	Miramar	10,256,130
Art and Humanities/ Technology Building	Miramar	42,789
I -300 Building	Mesa	8,000
Administrative Building	Miramar	436,022
Continuing Educatiton Building	Miramar	193,036
MM Fire Sci/ EMT Building	Miramar	790,626
<b>Total Bond Fund Expenditures</b>		\$ 159,639,070

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

#### 5. CONSTRUCTION COMMITMENTS

In addition to capital outlay expenditures included in the financial statements, the District has construction commitments of approximately \$198,497,932 as of June 30, 2012. Commitments in excess of current net asset balances are expected to be paid through future bond issuances.

#### 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 \$19,423,507 for expenditures made on its behalf.

#### 7. BONDED DEBT OF THE DISTRICT

The District received authorization at an election held on November 7, 2006, by more than fifty-five percent of the votes cast by eligible voters within the District, to issue general obligation bonds not to exceed \$870,000,000 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

	Balance	Additions	Reductions	Balance	Due Within One Year	Due In More
	July 1, 2011	Additions	Reductions	June 30, 2012	One rear	Than One Year
General Obligation Bonds:						
Proposition N:						
2007 Series	\$ 206,061,823	\$ -	\$ (49,705,000)	\$ 156,356,823	\$ 3,110,034	\$ 153,246,789
2011 Series		250,000,000		250,000,000	5,000,000	245,000,000
Total	\$ 206,061,823	\$ 250,000,000	\$ (49,705,000)	\$ 406,356,823	\$ 8,110,034	\$ 398,246,789

#### General Obligation Bonds, Election of 2006, Series 2007

On July 18, 2007, the District issued the general obligation bonds, election of 2006, Series 2007 in the amount of \$224,996,823. The issue is comprised of \$204,805,000 of serial bonds maturing in varying amounts from August 1, 2018 through 2032, with coupon and yield rates ranging from 3.60% to 4.51% and \$20,191,823 of capital appreciation bonds maturing in varying amounts from August 1, 2012 through 2017, with coupon and yield rates ranging from 4.05% to 4.42%. 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 2006, Series 2007. During the year, \$46,360,000 was advance refunded via issuance of the Series 2012 General Obligation Refunding Bonds. Total principal and interest remaining on the bonds is \$279,993,625, payable through 2034.

Notes to Financial Statements, Continued For the year ended June 30, 2012

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

Aggregate annual maturities and sinking fund requirements for the Series 2007 General Obligation Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 3,110,034	\$ 7,498,216	\$ 10,608,250
2014	3,235,814	7,702,436	10,938,250
2015	3,340,445	7,932,805	11,273,250
2016	3,433,522	8,184,728	11,618,250
2017	3,506,530	8,461,720	11,968,250
2018-2022	3,565,478	35,995,772	39,561,250
2023-2027	34,885,000	31,525,125	66,410,125
2028-2032	81,005,000	15,829,125	96,834,125
2033	20,275,000	506,875	20,781,875
Total	\$ 156,356,823	\$ 123,636,802	\$ 279,993,625

#### General Obligation Bonds, Election of 2006, Series 2011

On July 7, 2011, the District issued the general obligation bonds, election of 2006, Series 2011 in the amount of \$250,000,000. The issue is comprised of \$109,495,000 of current interest serial bonds maturing in varying amounts from August 1, 2012 through 2031, with coupon and yield rates ranging from .027% to 5.00%, \$61,060,000 of current interest term bonds due August 1, 2026 yielding 4.80%, and \$79,445,000 of current interest term bonds due August 1, 2041 yielding 4.86%. The purpose of the bonds is to finance the acquisition, construction, modernization, and equipping 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 2006, Series 2011. Total principal and interest remaining of the bonds is \$500,444,175, payable through 2042.

Notes to Financial Statements, Continued For the year ended June 30, 2012

## 7. BONDED DEBT OF THE DISTRICT, Continued

General Obligation Bonds, Election of 2006, Series 2011, Continued

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 5,000,000	\$ 12,250,550	\$ 17,250,550
2014	2,000,000	12,178,050	14,178,050
2015	300,000	12,138,050	12,438,050
2016	195,000	12,129,150	12,324,150
2017	845,000	12,104,125	12,949,125
2018-2022	17,335,000	58,730,875	76,065,875
2023-2027	37,125,000	51,534,375	88,659,375
2028-2032	46,695,000	41,216,625	87,911,625
2033-2037	61,060,000	27,817,250	88,877,250
2038-2042	79,445,000	10,345,125	89,790,125
Total	\$ 250,000,000	\$ 250,444,175	\$ 500,444,175

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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 N 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

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#### **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.

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 N 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 N General Obligation Bonds under the applicable provisions of Section 1 (b)(3)(C) of Article XIIIA 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 N General Obligation Bond Funded Capital Outlay Projects.
- Determine whether the proceeds of the sale of the Proposition N 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 XIIIA 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 N. 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 XIIIA of the California Constitution for the year ended June 30, 2012. However, 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.

San Diego, California November 20, 2012

PUN & Mc GEARLY LLP

## San Diego Community College District Proposition N 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.