

PROPOSITION N

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

JUNE 30, 2015



San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
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June 30, 2015**

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**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING
JUNE 30, 2015**

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, 2015.

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

Proposition N bonds were issued by the District, through the County of San Diego. On July 18, 2007, Series 2007 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds and capital appreciation bonds with an initial par amount of \$224,996,823 with stated yield rates of 3.60% to 4.51% and maturing through August 1, 2032.

On July 7, 2011, Series 2011 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds and current interest term bonds with an initial par amount of \$250,000,000 with stated yield rates of 0.27% to 4.86% and maturing through August 1, 2041.

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. The Series 2012, Refunding retired \$313,830,000 of debt including \$46,360,000 of Series 2007 of the Proposition N bond authorization. As a result, approximately 14.8% of the debt service related to the Series 2012, Refunding is attributable to Proposition N.

On July 17, 2013, Series 2013 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds, capital appreciation bonds and convertible capital appreciation bonds with an initial par amount of \$272,996,022 with stated yield rates of 0.20% to 6.23% and maturing through August 1, 2043.

Proposition N 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.

**PROPOSITION N BOND BUILDING FUND
 SAN DIEGO COMMUNITY COLLEGE DISTRICT
 INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING, CONTINUED
 JUNE 30, 2015**

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 which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition N 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, 2015, 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)
Scott Crosby	Member	Active in a Bona Fide Taxpayers' Organization	15282(a)(3)
Jean-Paul de Kervor	Member	Community -at- Large	15282(a)
Pierre Domercq	Member	Community -at- Large	15282(a)
Gerald Hosenkamp	Member	Active in a Bona Fide Taxpayers' Organization	15282(a)(3)
Tom Kaye	Member	Foundation/Advisory Committee Member	15282(a)
Sarah Krueger Jager	Member	Active in a Business Organization	15252(a)(1)
David MacVean	Member	Community -at- Large	15282(a)
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)
Carolina Morena	Student Member	Student who is Currently Enrolled in the District and Active in a Community College Group	15282(a)(4)

INDEPENDENT AUDITORS' REPORT

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition N Bond Building Fund of San Diego Community College District (the "Proposition N Bond Building Fund") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Proposition N 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.

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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 N 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 N Bond Building Fund of San Diego Community College District as of June 30, 2015, 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 N 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 1, 2015 on our consideration of the Proposition N 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 N 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 1, 2015 on our consideration of the Proposition N 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, 2015 and should be considered in assessing the results of our financial audit.

Christy White Associates

San Diego, California
December 1, 2015

FINANCIAL SECTION

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
BALANCE SHEET
JUNE 30, 2015**

ASSETS	
Cash and investments	\$ 86,463,850
Accounts receivable	<u>93,052</u>
Total Assets	<u>\$ 86,556,902</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 4,192,116
Due to other funds	<u>6,491,853</u>
Total Liabilities	<u>10,683,969</u>
FUND BALANCE	
Restricted for capital projects	<u>75,872,933</u>
Total Liabilities and Fund Balance	<u>\$ 86,556,902</u>

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

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

REVENUES	
Interest income	\$ 544,065
Other local revenue	20
	<hr/>
Total Revenues	544,085
	<hr/>
EXPENDITURES	
Salaries	907,850
Employee benefits	327,509
Supplies and materials	892,936
Other operating expenses and services	30,881
Capital outlay	89,850,472
	<hr/>
Total Expenditures	92,009,648
	<hr/>
Net Change in Fund Balance	(91,465,563)
Fund Balance, July 1, 2014	167,338,496
	<hr/>
Fund Balance, June 30, 2015	\$ 75,872,933
	<hr/>

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

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The San Diego Community College District (the “District”) serves in excess of 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 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.

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 N 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 N Bond funds for school capital improvements within the scope of projects outlined in the Proposition N Bond project list. In fulfilling its duties, the COC reviews, among other things, the District’s annual performance and financial audits of Proposition N activity.

The statements presented are for the individual Proposition N Bond Building Fund of the District, consisting of the net construction proceeds of the Proposition N 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 N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

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 governmental 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 N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

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 N 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 N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

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:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	15%	10%
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	35%
Bankers's Acceptance	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 years	40%	10%
Reverse Repurchase Agreements	92 days	20% of base	10%
Medium-Term Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	15%	10%
Mortgage Pass-Through Securities	5 years	20%	5%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None
Joint Powers Authority Pools (Cal Trust)	N/A	2.50%	5%

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

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 N Bond Building Fund's portion of the District's investment with the San Diego County Investment Pool has a fair value of \$86,463,850. The weighted average maturity for this pool as of June 30, 2015 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 AA Af/S1 or higher.

NOTE 3 – CONSTRUCTION COMMITMENTS

As of June 30, 2015, the Proposition N Bond Building Fund had commitments with respect to unfinished capital projects amounting to approximately \$33,072,053.

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, 2015, the Bond Fund owed other District funds \$6,491,853 for expenditures made on its behalf.

NOTE 5 – PROPOSITION N GENERAL OBLIGATION BONDS

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.

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

NOTE 5 – PROPOSITION N GENERAL OBLIGATION BONDS (continued)

Schedule of changes in General Obligation Bonds for the year ended June 30, 2015 are as follows:

	Date of Issue	Yield	Maturity Date	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Current Portion
Series 2007	7/18/2007	3.60-4.51%	8/1/2032	\$ 154,425,243		7,104,384	\$ 147,320,859	3,433,522
Series 2011	7/7/2011	0.27-4.86%	8/1/2041	243,000,000		300,000	242,700,000	195,000
Series 2012, Refunding	3/7/2012	0.18-3.10%	8/1/2029	41,011,678		22,158	40,989,520	772,593
Series 2013	7/17/2013	0.20-6.23%	8/1/2043	276,956,202	8,090,201	6,000,000	279,046,403	2,126,568
				<u>\$ 715,393,123</u>	<u>\$ 8,090,201</u>	<u>\$ 13,426,543</u>	<u>\$ 710,056,782</u>	<u>\$ 6,527,683</u>

General Obligation Bonds, Election of 2006, Series 2007

On July 18, 2007, Series 2007 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds and capital appreciation bonds with an initial par amount of \$224,996,823 with stated yield rates of 3.60% to 4.51% and maturing through August 1, 2032.

Year Ended	Principal	Interest	Total
June 30,			
2016	\$ 3,433,522	\$ 8,184,728	\$ 11,618,250
2017	3,506,530	8,461,720	11,968,250
2018	3,565,478	8,762,772	12,328,250
2019	-	6,808,250	6,808,250
2020	-	6,808,250	6,808,250
2021-2025	10,635,000	33,775,375	44,410,375
2026-2030	69,010,000	23,321,000	92,331,000
2031-2033	56,520,000	4,381,250	60,901,250
Accretion	650,328	(650,328)	-
Total	<u>\$ 147,320,858</u>	<u>\$ 99,853,017</u>	<u>\$ 247,173,875</u>

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

NOTE 5 – PROPOSITION N GENERAL OBLIGATION BONDS (continued)

General Obligation Bonds, Election of 2006, Series 2011

On July 7, 2011, Series 2011 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds and current interest term bonds with an initial par amount of \$250,000,000 with stated yield rates of 0.27% to 4.86% and maturing through August 1, 2041.

Year Ended				
June 30,	Principal	Interest	Total	
2016	\$ 195,000	\$ 12,129,150	\$	12,324,150
2017	845,000	12,104,125		12,949,125
2018	1,620,000	12,042,500		13,662,500
2019	2,470,000	11,940,250		14,410,250
2020	3,370,000	11,794,250		15,164,250
2021-2025	31,635,000	54,989,375		86,624,375
2026-2030	41,850,000	45,640,750		87,490,750
2031-2035	54,890,000	33,611,000		88,501,000
2036-2040	71,540,000	17,889,750		89,429,750
2041-2042	34,285,000	1,736,375		36,021,375
Total	\$ 242,700,000	\$ 213,877,525	\$	456,577,525

General Obligation Bonds, Election of 2006, Series 2012, Refunding

On March 7, 2012, Series 2012, Refunding of the Proposition N bond authorization 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 14.8% of the debt service is attributable to Proposition N, with the balance attributable to Proposition S.

Year Ended				
June 30,	Principal	Interest	Total	
2016	\$ 772,593	\$ 1,980,663	\$	2,753,256
2017	898,158	1,951,111		2,849,269
2018	1,036,279	1,912,422		2,948,701
2019	2,065,172	1,840,067		3,905,239
2020	2,335,505	1,731,527		4,067,032
2021-2025	15,293,054	6,559,656		21,852,710
2026-2030	18,588,759	2,438,865		21,027,624
Total	\$ 40,989,520	\$ 18,414,311	\$	59,403,831

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

NOTE 5 – PROPOSITION N GENERAL OBLIGATION BONDS (continued)

General Obligation Bonds, Election of 2006, Series 2013

On July 17, 2013, Series 2013 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest bonds, capital appreciation bonds and convertible capital appreciation bonds with an initial par amount of \$272,996,022 with state yield rates of 0.20% to 6.23% and maturing through August 1, 2043.

Year Ended				
June 30,	Principal	Interest	Total	
2016	\$ 2,126,568	\$ 6,150,932	\$ 8,277,500	
2017	190,086	6,127,414	6,317,500	
2018	322,431	6,145,070	6,467,501	
2019	695,306	6,207,194	6,902,500	
2020	1,091,688	6,315,812	7,407,500	
2021-2025	10,646,745	35,735,755	46,382,500	
2026-2030	26,734,714	61,272,786	88,007,500	
2031-2035	38,039,175	144,186,073	182,225,248	
2036-2040	50,462,490	182,799,146	233,261,636	
2041-2044	136,686,819	49,426,927	186,113,746	
Accretion	12,050,381	(12,050,381)	-	
Total	\$ 279,046,403	\$ 492,316,728	\$ 771,363,131	

SUPPLEMENTARY INFORMATION

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES BY PROJECT FOR PROPOSITION N
FOR THE YEAR ENDED JUNE 30, 2015**

Proposition N Bond Building Fund expenditures by project for the year ended June 30, 2015 consisted of the following:

Project Name	Site	Expenditures
Humanities Building	City	\$ 13,963,003
Engineering Tech	City	1,255,793
Science Building	City	853,828
Renovate M-Building	City	3,866,551
D-Bldg Roof	City	95,423
Renovate A-Building	City	843,289
Construct Languages and Speech	City	10,496,812
Infrastructure	City	416,601
Math & Science	Mesa	1,084,965
Instructional Tech Bldg. CBT Cntr for Bus Tech	Mesa	1,835,212
Infrastructure	Mesa	2,557,595
Cafeteria/Bookstore/ Stockroom	Mesa	21,250,758
Art Facilities	Mesa	40,660
Regional Pub. Safety Inst.	Miramar	81,279
Interim Library	Miramar	250,048
Café/Bookstore	Miramar	382,171
Science Building Addition	Miramar	19,132,619
Auto Tech Career Building	Miramar	10,846
Aviation Maint. Tech Center	Miramar	286,416
Heavy Advanced Transportation	Miramar	15,182
Parking Structure #1	Miramar	44,050
Campus Dev. Infrastructure	Miramar	3,086,609
College Serv Ctr-Police/Emerg	Miramar	8,549
Public Info Office	Miramar	3,977
Maintenance Facility	Miramar	226,955
Claremont Linda Vist Building	CE	26,024
ECC Ph II Wing-Reno. And Relo of Admin Building	CE	144,358
Temporary Technology Village	Mesa	9,707
Temporary Parking/All-Weather Track and Field	Mesa	3,403
Program Management	District	5,428,952
Library Resource Center	Miramar	517,597
Art and Humanities/ Technology Building	Miramar	(4,180)
I-300 Building	Mesa	926
Administrative Building	Miramar	2,226,536
Continuing Educatiton Building	Miramar	625
MM Fire Sci/ EMT Building	Miramar	1,511,034
LRC- Language Center Remodel	Mesa	55,475
TOTAL	\$	92,009,648

**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

Independent Auditors' Report

Michael Ash, CPA

Heather Rubio

Governing Board Members and
Proposition N 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 N Bond Building Fund, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Proposition N Bond Building Fund's basic financial statements, and have issued our report thereon dated December 1, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Proposition N 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 N Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Proposition N 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.

SAN DIEGO
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State Board of Accountancy

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 N 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.

The image shows a handwritten signature in cursive script that reads "Christy White Associates". The signature is written in black ink and is positioned above the typed address and date.

San Diego, California
December 1, 2015

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board Members and
Proposition N 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 N Bond Building Fund, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Proposition N 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.

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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 N General Obligation Bonds for the Year Ended June 30, 2015. 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 N Bonds were only used for the purposes set forth in the Proposition N 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 N projects, including budgetary controls
- Ensure adequate separation of duties exists in the Fiscal Services Department for Proposition N 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 2014-15 financial statement balances for the Proposition N 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 unmodified opinion was expressed on the financial statements.

Facilities Site Walk

Procedures Performed:

We performed site walks to verify that Proposition N funds expended for the Year Ended June 30, 2015 were for valid facilities acquisition and construction purposes. CWA toured multiple District facilities projects where work was completed or in progress in 2014-15 fiscal year, including:

- City College: M-building
- Mesa College: new Café, bookstore and stockroom
- Miramar College: Science building addition

Results of Procedures Performed:

Results of the site walks indicate that the major 2014-15 Proposition N construction projects were successfully completed and closed out or advanced into 2015-16 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 N 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 N ballot measure language). The expenditure test included a sample of 20 payments, totaling \$25.8 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 N 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, 2015, we performed testing of three contracts to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

MA Stevens Construction Inc.	\$1,276,000
South West Construction Co.	\$3,700,795
Sol Pac Construction Inc. DBA	
Soltek Pacific Construction Co.	\$2,674,000

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 N, we found that meetings held during fiscal year 2014-15 were properly conducted and 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 N 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 1, 2015

**SCHEDULE OF FINDINGS
AND RECOMMENDATIONS**

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings or recommendations related to the audit of the Proposition N Bond Building Fund for the year ended June 30, 2015.

**PROPOSITION N BOND BUILDING FUND
SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2015**

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