

PALOMAR COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
PROP M BOND CONSTRUCTION FUND –
PROPOSITION M BOND PROGRAM
PERFORMANCE AUDIT**

For the Year Ended June 30, 2011

**PALOMAR COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
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For the Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Independent Citizens' Oversight Committee
Palomar Community College District
1140 W. Mission Road
San Marcos, CA 92069-1487

We have conducted a performance audit of the Palomar Community College District (the "District"), Proposition 39 Measure M General Obligation Bond funds for the year ended June 30, 2011.

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 on page 3 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure M General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

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 internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, in all significant respects, Palomar Community College District expended Measure M General Obligation Bond funds for the year ended June 30, 2011 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.


VICENTI, LLOYD & STUTZMAN LLP

December 9, 2011

PALOMAR COMMUNITY COLLEGE DISTRICT
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BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. In November 2006, voters of Palomar Community College District approved Proposition M. The voters authorized the District to issue up to \$694,000,000 of general obligation bonds to finance the construction, acquisition, and modernization of certain property and District facilities as specified in the bond measure provisions of Proposition M.

Pursuant to the requirements of Proposition 39, and related State legislation, the Board of Trustees of the District established an Independent Citizens' Oversight Committee and appointed its members. The principal purpose of the Independent Citizens' Oversight Committee, as set out in State law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Proposition M bond authorization. The Independent Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Prop M Bond Construction Fund – Proposition M Bond Program have been expended only for the authorized bond projects.

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OBJECTIVES

The objectives of our performance audit were to:

- Document the expenditures charged to the Palomar Community College District Prop M Bond Construction Fund – Proposition M Bond Program.
- Determine whether expenditures charged to the Prop M Bond Construction Fund – Proposition M Bond Program, have been made in accordance with the bond project list approved by the voters through the approval of Proposition M in November 2006.
- Note any incongruities or system weaknesses or noncompliance with specific Education Code sections related to oversight of bond expenditures.
- Provide the District Board and the Independent Citizens' Oversight Committee with a performance audit as required under the provisions of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the period of July 1, 2010 to June 30, 2011. 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, 2011, were not reviewed or included within the scope of our audit or in this report.

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PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period of July 1, 2010 to June 30, 2011, for the Prop M Bond Construction Fund – Proposition M Bond Program. We also reviewed documentation, including the District website, for compliance with Education Code Sections 15278-15282. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Proposition M with regards to the approved bond projects list and performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Proposition M Bond election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2011, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified that funds from the Prop M Bond Construction Fund – Proposition M Bond Program were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects. In addition, we verified that funds held in the Prop M Bond Construction Fund – Proposition M Bond Program were used for salaries of school administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

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CONCLUSION

The results of our tests indicated that, in all significant respects, the Palomar Community College District has properly accounted for the expenditures of the funds held in the Prop M Bond Construction Fund – Proposition M Bond Program and that such expenditures were made for authorized bond projects. Further, it was noted that the funds held in the Prop M Bond Construction Fund – Proposition M Bond Program, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

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SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2011

There were no findings related to the performance audit for the years ended June 30, 2011 and June 30, 2010.