

PALOMAR COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
PROP M BOND CONSTRUCTION FUND –
PROPOSITION M BOND PROGRAM (SERIES A)
PERFORMANCE AUDIT**

For the Year Ended June 30, 2009

**PALOMAR COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
PROP M BOND CONSTRUCTION FUND –
PROPOSITION M BOND PROGRAM (SERIES A)
PERFORMANCE AUDIT**

For the Year Ended June 30, 2009

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Objectives	2
Scope of the Audit.....	2
Background Information	3
Procedures Performed	4
Conclusion	5
Schedule of Findings and Recommendations.....	6
Status of Prior Year Findings and Questioned Costs.....	7



INDEPENDENT AUDITORS' 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 examined the Palomar Community College District's compliance with the performance requirements for the Proposition 39 General Obligation Bonds for the year ended June 30, 2009, 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 Palomar Community College District's compliance with those requirements. Our responsibility is to express an opinion on Palomar Community College District's compliance with such requirements thereof based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Palomar Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Palomar Community College District's compliance with specified requirements.

In our opinion, the Palomar Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN ^{LLP}

December 14, 2009

PALOMAR COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
PROP M BOND CONSTRUCTION FUND –
PROPOSITION M BOND PROGRAM (SERIES A)
PERFORMANCE AUDIT

For the Year Ended June 30, 2009

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 (Series A).
- Determine whether expenditures charged to the Prop M Bond Construction Fund – Proposition M Bond Program (Series A), 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 and provide recommendations for improvement.
- 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, 2008 to June 30, 2009. 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, 2009, were not reviewed or included within the scope of our audit or in this report.

PALOMAR COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
PROP M BOND CONSTRUCTION FUND –
PROPOSITION M BOND PROGRAM (SERIES A)
PERFORMANCE AUDIT

For the Year Ended June 30, 2009

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.

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 39 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 (Series A) have been expended only for the authorized bond projects.

PALOMAR COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
PROP M BOND CONSTRUCTION FUND –
PROPOSITION M BOND PROGRAM (SERIES A)
PERFORMANCE AUDIT

For the Year Ended June 30, 2009

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the period of July 1, 2008 to June 30, 2009, for the Prop M Bond Construction Fund – Proposition M Bond Program (Series A). For the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Proposition 39 as to the bond projects. We performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Proposition 39 Bond election documents.
- We selected a sample of expenditures for the period under audit 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 (Series A) were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Prop M Bond Construction Fund – Proposition M Bond Program (Series A) were not used for ineligible salaries of administrative staff or other operating expenses of the District.

PALOMAR COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
PROP M BOND CONSTRUCTION FUND –
PROPOSITION M BOND PROGRAM (SERIES A)
PERFORMANCE AUDIT

For the Year Ended June 30, 2009

CONCLUSION

Based upon our procedures performed, we found that for the items tested, 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 (Series A) and that such expenditures were made for authorized bond projects. Furthermore, it was noted that the funds held in the Prop M Bond Construction Fund – Proposition M Bond Program (Series A), and expended by the District, were not expended for ineligible salaries of administrative staff or other operating expenditures.

PALOMAR COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
PROP M BOND CONSTRUCTION FUND –
PROPOSITION M BOND PROGRAM (SERIES A)
PERFORMANCE AUDIT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2009

There were no findings and recommendations related to the performance audit of the Prop M Bond Construction Fund – Proposition M Bond Program (Series A) for the year ended June 30, 2009.

PALOMAR COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
PROP M BOND CONSTRUCTION FUND –
PROPOSITION M BOND PROGRAM (SERIES A)
PERFORMANCE AUDIT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
June 30, 2009

There were no findings and questioned costs related to the financial audit of the Prop M Bond Construction Fund – Proposition M Bond Program (Series A) for the fourteen months ended June 30, 2008.