

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
PROPOSITION R BUILDING FUND
FINANCIAL AUDIT**

Fiscal Year Ending June 30, 2008



**GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT**

Moving Forward



GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
PROPOSITION R BUILDING FUND
FINANCIAL AUDIT**

June 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Proposition R Citizens' Bond Oversight Committee
Grossmont-Cuyamaca Community College District

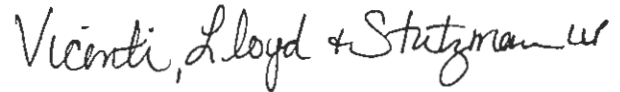
We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance, and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Proposition R Building Fund of the Grossmont-Cuyamaca Community College District as of and for the fiscal year ended June 30, 2008. These 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 of the Proposition R Building Fund 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 for the Proposition R Building Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Proposition R Building Fund financial statements. An audit also includes 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Proposition R Building Fund of the Grossmont-Cuyamaca Community College District as of June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

The Board of Trustees
The Proposition R Citizens' Bond Oversight Committee
Grossmont-Cuyamaca Community College District

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008 on our consideration of the Grossmont-Cuyamaca Community College District's internal control over financial reporting and 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 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.



VICENTI, LLOYD & STUTZMAN LLP

December 17, 2008

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET
PROPOSITION R BUILDING FUND**

June 30, 2008

ASSETS

Cash in county treasury	\$ 94,290,754
Accounts receivable	446,676
Due from other funds	<u>87,444</u>

TOTAL ASSETS \$ 94,824,874

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	<u>\$ 2,196,673</u>
TOTAL LIABILITIES	<u>2,196,673</u>

FUND BALANCE

Designated	<u>92,628,201</u>
TOTAL FUND BALANCE	<u>92,628,201</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 94,824,874

See the accompanying notes to the financial statements.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

PROPOSITION R BUILDING FUND

For the Fiscal Year Ended June 30, 2008

REVENUES

Interest and Investment Income \$ 2,038,551

TOTAL REVENUES 2,038,551

EXPENDITURES

Supplies 1,447,665

Other Services 9,343,033

Capital Outlay 17,494,782

TOTAL EXPENDITURES 28,285,480

Deficiency of revenues over expenditures (26,246,929)

OTHER FINANCING SOURCES (USES)

Proceeds from Sale of Series C Bonds 52,000,377

Proceeds from Refunding Bonds 143,543,827

Payment to Refunded Bond Escrow Agent (128,768,827)

Interfund Transfers Out (211,074)

TOTAL OTHER FINANCING SOURCES (USES) 66,564,303

Net change in fund balance 40,317,374

Fund Balance at Beginning of Year 52,310,827

Fund Balance at End of Year \$ 92,628,201

See the accompanying notes to the financial statements.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - PROPOSITION R BUILDING FUND**

For the Fiscal Year Ended June 30, 2008

	<u>Budget *</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest and Investment Income	\$ 2,537,589	\$ 2,038,551	\$ (499,038)
TOTAL REVENUES	<u>2,537,589</u>	<u>2,038,551</u>	<u>(499,038)</u>
 EXPENDITURES			
Supplies	1,709,944	1,447,665	262,279
Other Services	22,583,078	9,343,033	13,240,045
Capital Outlay	<u>97,119,698</u>	<u>17,494,782</u>	<u>79,624,916</u>
TOTAL EXPENDITURES	<u>121,412,720</u>	<u>28,285,480</u>	<u>93,127,240</u>
 Deficiency of revenues over expenditures	<u>(118,875,131)</u>	<u>(26,246,929)</u>	<u>92,628,202</u>
 OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Series C Bonds	52,000,377	52,000,377	-
Proceeds from Refunding Bonds	143,543,827	143,543,827	-
Payment to Refunded Bond Escrow Agent	(128,768,827)	(128,768,827)	-
Interfund Transfers Out	<u>(211,074)</u>	<u>(211,074)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>66,564,303</u>	<u>66,564,303</u>	<u>-</u>
 Net change in fund balance	<u>\$ (52,310,828)</u>	40,317,374	<u>\$ 92,628,202</u>
 Fund Balance at Beginning of Year		<u>52,310,827</u>	
 Fund Balance at End of Year		<u>\$ 92,628,201</u>	

* The budget for revenues and other sources reflects estimated amounts to be received in the current year. The budget for expenditures reflects amounts remaining and available for current and subsequent years' expenditures and does not necessarily coincide with actual planned expenditures in the current year.

See the accompanying notes to the financial statements.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
PROPOSITION R BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures, and Change in Fund Balance is a statement of financial activities of the Proposition R Building Fund related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Proposition R Building Fund is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, 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 services rendered).

During the year, Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
PROPOSITION R BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Proposition R Building Fund are determined by its measurement focus. The Proposition R Building Funds are 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 Proposition R Building Fund are accounted for in the basic financial statements of the Grossmont-Cuyamaca Community College District.

NOTE 2 - DEPOSITS – CASH IN COUNTY TREASURY:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool. These pooled funds are carried at cost which may differ from fair value. The fair market value of the District’s deposits for the Proposition R Building Fund in this pool as of June 30, 2008, as provided by the pool sponsor, was \$94,611,343, which is 100.34% of historical cost.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 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. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations, by major object accounts.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
PROPOSITION R BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 4 – BONDED DEBT:

On November 5, 2002, the District voters authorized the issuance and sale of general obligation bonds totaling \$207,000,000 which provides that proceeds of the bonds will be used to finance the acquisition and improvement of real property.

The outstanding related bonded debt for the Grossmont-Cuyamaca Community College District at June 30, 2008 is:

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2007</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2008</u>
Series A	5/8/2003	2.50 - 5.00%	8/1/2027	\$ 55,000,000	\$ 44,325,000	\$	\$ 29,825,000	\$ 14,500,000
Series B	6/2/2005	3.10 - 5.00%	8/1/2017	99,999,623	99,999,623		88,713,728	11,285,895
Refunding	5/15/2008	3.00 - 5.25%	8/1/2024	128,765,749		128,765,749		128,765,749
Series C	5/15/2008	5.06 - 6.50%	8/1/2031	52,000,377		52,000,377		52,000,377
				<u>\$ 335,765,749</u>	<u>\$ 144,324,623</u>	<u>\$ 180,766,126</u>	<u>\$ 118,538,728</u>	<u>\$ 206,552,021</u>

Series A

On May 8, 2003, the District issued General Obligation Bonds, Election of 2002, Series A of \$55,000,000 of current interest bonds. Interest ranges from 2.5% to 5.0% payable semiannually on February 1 and August 1. The annual requirements to amortize Series A bonds payable, outstanding as of June 30, 2008, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,345,000	\$ 641,506	\$ 1,986,506
2010	1,400,000	581,425	1,981,425
2011	1,465,000	520,625	1,985,625
2012	1,525,000	460,825	1,985,825
2013	1,585,000	394,663	1,979,663
2014-2018	2,865,000	1,305,375	4,170,375
2019-2023	1,890,000	851,750	2,741,750
2024-2028	2,425,000	315,625	2,740,625
	<u>\$ 14,500,000</u>	<u>\$ 5,071,794</u>	<u>\$ 19,571,794</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
PROPOSITION R BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 4 – BONDED DEBT: (continued)

Series B

On June 2, 2005, the District issued General Obligation Bonds, Election of 2002, Series B of \$88,620,000 of current interest bonds and \$11,379,623 of capital appreciation bonds. Interest ranges from 3.1% to 5.0% payable semiannually on February 1 and August 1. The annual requirements to amortize Series B bonds payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Accreted Interest Payment	Total
2009	\$ 408,123	\$ 41,877	\$ 450,000
2010	718,336	101,664	820,000
2011	1,012,272	187,728	1,200,000
2012	869,245	205,755	1,075,000
2013	1,115,891	334,109	1,450,000
2014-2018	<u>7,162,028</u>	<u>3,857,972</u>	<u>11,020,000</u>
	<u>\$ 11,285,895</u>	<u>\$ 4,729,105</u>	<u>\$ 16,015,000</u>

Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued has been reflected in the long term debt balance on the Grossmont-Cuyamaca Community College District's basic financial statements.

Refunding

On May 15, 2008, the District issued 2008 General Obligation Refunding Bonds of \$121,115,000 of current interest bonds and 7,650,749 of capital appreciation bonds. Interest rates range from 3.0% to 5.25% payable semiannually on February 1 and August 1.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
PROPOSITION R BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 4 – BONDED DEBT: (continued)

Refunding (continued)

The refunding bonds were issued to advance refund a portion of the outstanding Series A & B general obligation bonds. The proceeds were placed into an irrevocable escrow account and will be used to fund the future required principal and interest payments of the refunded bonds. The amount of refunded debt to be paid from the escrow account at June 30, 2008 is \$118,538,728. The refunded portions of the bonds are considered in-substance defeased and are not recorded in the basic financial statements of the District. The difference in cash flow requirements related to this refunding is a savings of cash outflow of approximately \$4,296,586. The present value of the economic gain to the District amounts to approximately \$1,256,195. The annual requirements to amortize the refunding bonds payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Accreted Interest Payment	Total
2009	\$ 3,180,000	\$ 3,840,927	\$	\$ 7,020,927
2010	1,725,000	5,776,875		7,501,875
2011	1,925,000	5,703,875		7,628,875
2012	2,665,000	5,612,075		8,277,075
2013	2,965,000	5,484,650		8,449,650
2014-2018	17,810,749	26,200,138	9,944,251	53,955,138
2019-2023	66,985,000	16,992,875		83,977,875
2024-2025	31,510,000	1,450,050		32,960,050
	<u>\$ 128,765,749</u>	<u>\$ 71,061,464</u>	<u>\$ 9,944,251</u>	<u>\$ 209,771,464</u>

Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued has been reflected in the long term debt balance on the Grossmont-Cuyamaca Community College District's basic financial statements.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
PROPOSITION R BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 3 – BONDED DEBT: (continued)

Series C

On May 15, 2008, the District issued General Obligation Bonds, Election of 2002, Series C of \$52,000,377 of capital appreciation bonds. Interest ranges from 5.06% to 6.5%. The annual requirements to amortize Series B bonds payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Accreted Interest Payment	Total
2009	\$ -	\$ -	\$ -
2010			-
2011			-
2012			-
2013			-
2014-2018			-
2019-2023			-
2024-2028	20,676,490	39,363,511	60,040,000
2029-2032	31,323,887	63,476,113	94,800,000
	<u>\$ 52,000,377</u>	<u>\$ 102,839,623</u>	<u>\$ 154,840,000</u>

Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued has been reflected in the long term debt balance on the Grossmont-Cuyamaca Community College District's basic financial statements.

NOTE 4 – PURCHASE COMMITMENTS

As of June 30, 2008, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$9,900,000.

**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
The Proposition R Citizens' Bond Oversight Committee
Grossmont-Cuyamaca Community College District

We have audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance, and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Proposition R Building Fund of the Grossmont-Cuyamaca Community College District as of and for the fiscal year ended June 30, 2008. 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

In planning and performing our audit, we considered Grossmont-Cuyamaca Community College District's internal control over the Proposition R Building Fund financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's Proposition R Building Fund financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

**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**

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Proposition R Building Fund financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over Proposition R Building Fund financial reporting was for the limited purpose described in the first paragraph of this section and could not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grossmont-Cuyamaca Community College District's Proposition R Building Fund 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 of the Proposition R Building Fund disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's Board of Trustees, the Proposition R Citizens' Bond Oversight Committee and District management. It is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

December 17, 2008

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
PROPOSITION R BUILDING FUND**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2008**

There were no findings and recommendations related to the financial audit of the Proposition R Building Fund for the year ended June 30, 2008.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
PROPOSITION R BUILDING FUND
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
June 30, 2008**

There were no findings and recommendations related to the financial audit of the Proposition R Building Fund for the year ended June 30, 2007.