



**SOUTHWESTERN COMMUNITY COLLEGE DISTRICT
PROPOSITION R CITIZENS' BOND OVERSIGHT COMMITTEE**

Wednesday, January 16, 2013

Members: Joe David Casillas, Thomas Davis, Adela Garcia, Edward Gutierrez, Matt Kriz, Nicholas Segura, Jr.

Staff: Steven Crow, Vice President for Business and Financial Affairs; Nirav Desai, Consultant, Business and Financial Affairs, Prop R; Lillian Leopold (Chief Public Information and Government Relations Officer); Melinda Nish, Ed.D. (Superintendent/President)

Date: Wednesday, January 16, 2013

Time: 5:30 p.m.

Place: Southwestern College
900 Otay Lakes Road
Chula Vista, CA 91910
Room L246

Persons wishing to address the Committee should complete a Request for Public Comment card (available at the reception table) and indicate on the card if they wish to speak under Public Comment, or when a specific agenda item is considered. Cards should be submitted to the secretary prior to the start of the meeting. An oral presentation to the Committee does *not* constitute an open discussion on the presentation topic, unless that topic is on the posted agenda. Pursuant to the Brown Act (Government Code Section 54954.2(a)): "No action or discussion shall be undertaken on any item not appearing on the posted agenda, except that members of a legislative body or its staff may *briefly* respond to statements made or questions posed by persons exercising their public testimony rights under Section 54954.3."

A G E N D A

ITEM	
1. CALL TO ORDER – ROLL CALL	Chair
2. PUBLIC COMMENT	Chair
3. APPROVAL OF MINUTES OF DECEMBER 19, 2012 (ENCLOSURE)	Chair
4. MARCH 20, 2013 CBOC MEETING TIME	Chair
5. UPDATE OF PROP R EXPENDITURES AND PROJECT UPDATES (ENCLOSURE)	Crow
6. UPDATE OF PROP R ANNUAL AUDIT JULY 2011 – JUNE 2012 (ENCLOSURE)	Crow
7. UPDATE OF DRAFT FORMAT FOR CBOC ANNUAL REPORT	Leopold
8. VACANT CBOC POSITION	Chair
9. OTHER ITEMS	Chair
10. COMMITTEE COMMENTS / REQUESTS	Chair
11. ADJOURNMENT	Chair

Enclosure
Agenda Item #3



Proposition R



At Work!

Southwestern Community College District

Proposition R Citizens' Bond Oversight Committee December 19, 2012

DRAFT MINUTES

1. CALL TO ORDER

The meeting was called to order at 5:30 p.m.

Members Present: Thomas Davis, Adela Garcia, Edward Gutierrez, Matt Kriz, Nicholas Segura

Members Absent: Joe David Casillas, Israel Garza

Staff Present: Steve Crow, Melinda Nish, Bob Temple, Lillian Leopold, Nirav Desai

2. PUBLIC COMMENT

None.

3. APPROVAL OF MINUTES OF September 19, 2012 (ENCLOSURE)

Motion: Davis; Second: Garcia. Unanimous approval.

4. FIDUCIARY LIABILITY INSURANCE COVERAGE FOR CBOC

Document providing fiduciary liability insurance coverage for the committee was signed by Kriz on behalf of the committee.

5. APPROVAL OF SWACC AUXILIARY/FOUNDATION ORGANIZATIONS RESOLUTION (ENCLOSURE)

Motion: Segura; Second: Davis– Unanimous approval.

6. UPDATE OF PROP R EXPENDITURES AND PROJECT UPDATES (ENCLOSURE)

Nirav presented the Prop R Expenditures and Project Updates enclosure. Nick asked if the committee can plan a tour of the construction site. Yes, they can work with Nirav to arrange a tour. No Brown Act parameters are necessary if they are not making decisions and conducting business.

7. UPDATE OF PROP R ANNUAL AUDIT JULY 2011 – JUNE 2012 (ENCLOSURE)

Steve summarized the enclosure DRAFT not accepted by GB yet. Questions and concerns were raised and addressed.

8. UPDATE OF DRAFT FORMAT FOR CBOC ANNUAL REPORT

Lillian distributed a draft four-fold brochure, as an example, and asked for feedback from the committee. Feedback from committee members will be conveyed to Lillian through Chair Kriz. Edward liked the layout and design. Tom raised concerns of the difference between the planned projects when the bond was passed by the community, and what the projects are now planned.

Melinda: Education Master Plan is finished and has been submitted but not read as of yet. The plan is for the Master plan to be finalized in February. For the Facility Master Plan there is a basic conceptual draft that will be presented to the Facilities Committee in January, forums will start, February 21, and it will be going to Governing Board March 20 for workshop and to Governing Board for approval April 10. The next CBOC meeting is scheduled for March 20, the same night as the scheduled Governing Board workshop. Melinda suggests that the CBOC committee may want to meet earlier in the afternoon/evening and then attend the Governing Board workshop afterwards. We do foresee a growth in student count. The public is probably more interested in the physical growth and changes. There will be forums in February and the Governing Board forum in March. These forums may answer many of the committee's questions. Temple: recognized the efforts and great draft of the report that Lillian provided as a template and as a starting place for the committee to expand on. Additional information discussed tonight will be forwarded by Lillian to Matt, who can share the revised draft with committee members. Temple suggests the committee hold another formal meeting to finalize the CBOC Annual Report final. The committee plans to submit the report to the Governing Board for approval in February or March.

There will be a CBOC meeting scheduled for January 16, 2013 to finalize the report.

9. CAPITAL APPRECIATION BONDS

Two documents were distributed to the committee and briefly explained by Bob Temple.

10. OTHER ITEMS

None.

11. COMMITTEE COMMENTS / REQUESTS

Edward ASO has been discussing supporting the solar panel ideas. He is voicing their interest in moving forward with this. He will share the message that we are looking at this seriously. Steve: contact him so ASO can be involved.

12. ADJOURNMENT

The meeting was adjourned at 7:13. Motion: Adela; Second: Matt.

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolutions authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended, to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations. See "TAX MATTERS" herein.

\$68,730,371.35

SOUTHWESTERN COMMUNITY COLLEGE DISTRICT

(San Diego County, California)

Election of 2008 General Obligation Bonds, Series C

Dated: Date of Delivery

Due: August 1, as shown on inside cover.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The captioned Bonds were authorized at an election conducted on November 4, 2008 within the Southwestern Community College District (the "District"), and represent the third series of Bonds to be issued under the Authorization, as defined and more fully described herein under the caption "THE BONDS — Authority for Issuance and Security for the Bonds." The Bonds are being issued in order to finance the construction, acquisition, furnishing and equipping of District facilities and to pay certain costs of issuance, as more fully described herein under the caption "THE BONDS — Purpose of Issue." The Bonds will be issued on a parity with all other general obligation bonds of the District and will be issued in denominations of \$5,000 principal amount, Maturity Amount or integral multiples thereof, and are payable as to principal amount or redemption price at the office of the Treasurer and Tax Collector of the County of San Diego, California, Paying Agent for the Bonds (the "Paying Agent"). The District's Election of 2008 General Obligation Bonds, Series C (the "Bonds") will be issued as Bonds bearing interest on a current basis (the "Current Interest Bonds"), and Bonds that will not bear current interest (the "Capital Appreciation Bonds"), but will accrete in value from their initial amounts (the "Denominational Amounts") to their respective accreted values on their respective maturity dates ("Maturity Amount").

Interest on the Current Interest Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2011; interest will accrete on the Capital Appreciation Bonds on February 1 and August 1 of each year, commencing August 1, 2011. See the caption "THE BONDS — Authority for Issuance and Security for the Bonds."

MATURITY SCHEDULE

(See Inside Cover)

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds as described herein at APPENDIX F — "Book-Entry Only System."

Certain of the Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS — Redemption" herein.

The Bonds are general obligations of the District only and are not obligations of the County of San Diego, the State of California or any of its other political subdivisions. The Board of Supervisors of the County of San Diego has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of or Maturity Amount, and premium, if any, and interest on each Bond as the same becomes due and payable.

The Bonds will be offered when, as and if issued and received by the Underwriters subject to the approval of legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, and certain other conditions. Fulbright & Jaworski L.L.P., Los Angeles, California, is acting as Disclosure Counsel for the issue. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation, San Francisco, California. Certain legal matters for the County of San Diego are being passed upon by the Office of County Counsel of the County of San Diego. It is anticipated that the Bonds will be available through the facilities of DTC in New York, New York, on or about June 16, 2011.

Alta Vista Financial, Inc.

Cabrera Capital Markets, LLC

RBC CAPITAL MARKETS

Dated: June 2, 2011

MATURITY SCHEDULE

\$68,730,371.35
SOUTHWESTERN COMMUNITY COLLEGE DISTRICT
(San Diego County, California)
Election of 2008 General Obligation Bonds, Series C

\$17,145,000.00 Current Interest Bonds

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.⁽¹⁾ (845389)</u>
2011	\$2,285,000	1.00%	0.28%	DZ5
2012	45,000	2.00	0.60	EA9
2014	30,000	3.00	1.20	EB7
2015	100,000	3.00	1.50	EC5
2016	175,000	4.00	1.75	ED3
2017	260,000	4.00	2.15	EE1
2018	345,000	4.00	2.50	EF8
2019	440,000	5.00	2.80	EG6
2020	545,000	5.00	3.00	EH4
2021	655,000	5.00	3.20	EJ0
2022	775,000	5.00	3.48*	EK7
2023	900,000	5.00	3.70*	EL5
2024	1,035,000	5.00	3.90*	EM3
2025	1,180,000	5.00	4.15*	EN1
2026	1,325,000	5.00	4.30*	EP6
2027	1,490,000	5.00	4.40*	EQ4
2028	1,665,000	5.00	4.51*	ER2
2029	1,850,000	5.00	4.60*	ES0
2030	2,045,000	5.00	4.70*	ET8

\$17,245,000.00 5.25% Current Interest Term Bonds due August 1, 2036 – Yield 5.04%^(*) – CUSIP No.⁽¹⁾ 845389EU5
\$23,965,000.00 5.00% Current Interest Term Bonds due August 1, 2040 – Yield 5.17% – CUSIP No.⁽¹⁾ 845389EV3

(*) Yield to call at par on August 1, 2021

\$10,375,371.35 Capital Appreciation Term Bonds

<u>Maturity (August 1)</u>	<u>Denominational Amount</u>	<u>Reoffering Yield to Maturity</u>	<u>Accretion Rate</u>	<u>Maturity Amount</u>	<u>CUSIP No.⁽¹⁾ (845389)</u>
2041	\$2,399,160.05	7.15%	7.15%	\$19,915,000	EW1
2046	7,976,211.30	7.30	7.30	98,985,000	EX9

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriters, the Financial Advisor nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

\$68,730,371.35
SOUTHWESTERN COMMUNITY COLLEGE
DISTRICT
(San Diego County, California)
Election of 2008 General Obligation Bonds, Series C

INTRODUCTION

The Southwestern Community College District (the "District") proposes to issue \$68,730,371.35 aggregate principal or issue amount of its Election of 2008 General Obligation Bonds, Series C (the "Bonds"), under and pursuant to a bond authorization for the issuance of up to \$389,000,000 in bonds (the "Authorization") approved by more than fifty-five percent (55%) of the voters of the District voting on the proposition at an election held on November 4, 2008 (the "Election"). The Bonds are the third issue under the Authorization, under which \$100,000,000 has previously been issued. Following the delivery of the Bonds, \$220,269,628.65 of the District's Authorization will remain for issuance of subsequent series of the District's Election of 2008 General Obligation Bonds. The Bonds are issued on a parity with all other general obligation bonds of the District.

Proceeds from the sale of the Bonds will be used for the acquisition, construction, furnishing and equipping of District facilities (collectively, the "Projects"), all as further described herein under "THE PROJECTS" and as provided in the bond proposition approved at the Election as required by law (the "Project List") in accordance with the Constitution and laws of the State of California, and to pay costs of issuance of the Bonds.

The District was established in 1960 and provides higher education in southern San Diego County (the "County"). The District operates one campus, Southwestern College in Chula Vista, and three higher education centers in the cities of National City, San Diego and San Ysidro. The District's area equals approximately 162 square miles. Total assessed valuation of taxable property in the District in Fiscal Year 2010-11 is \$41,447,051,886.

The District is governed by a five-member Governing Board (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Denise Whittaker is the interim District Superintendent/President. See APPENDIX A - "SOUTHWESTERN COMMUNITY COLLEGE DISTRICT."

The District's full-time equivalent students ("FTES") for the 2010-11 fiscal year is projected at 16,107. Assessed valuation of real property improvement (full cash value) in the District decreased between 2009-10 and 2010-11 from approximately \$42.4 billion to approximately \$41.4 billion. The District has certain existing lease financing obligations as set forth in APPENDIX A - "THE SOUTHWESTERN COMMUNITY COLLEGE DISTRICT - DISTRICT FINANCIAL INFORMATION - Certain Existing Obligations." A statement of direct and overlapping bonded indebtedness is set forth in APPENDIX A - "SOUTHWESTERN COMMUNITY COLLEGE DISTRICT - DISTRICT FINANCIAL INFORMATION - Direct and Overlapping Debt."

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the District secured by *ad valorem* property taxes levied by the County. The Bonds are being issued by the District under the provisions of Title 5, Division 2 Part 1, Chapter 3 of the Government Code of the State of California (the "Government Code") (commencing with Section 53506 *et seq.*) and pursuant to a resolution of the Board adopted on May 11, 2011 (the "Resolution").

The Bonds are being issued pursuant to an authorization obtained at the November 4, 2008 election conducted within the District, at which \$389,000,000 in general obligation bonds were approved and pursuant to provisions of the Constitution created by Proposition 39, the Constitutional initiative passed by voters on November 7, 2000, permitting approval of certain general obligation bonds of school or community college districts by a 55% vote. See the caption, "Proposition 39" under the heading "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein. In accordance with Proposition 39, the District may use Bond proceeds to acquire, construct and improve real property and may also furnish and equip its college facilities.

Purpose of Issue

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the Project List approved at the Election, which included real property acquisition and improvements and acquiring related furnishings and equipment for all modernization, renovation, improvement and/or new construction project components. See the caption "THE PROJECTS" herein.

Description of the Bonds

General. The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of \$5,000 principal amount, Maturity Amount, or integral multiples thereof. The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds").

The Capital Appreciation Bonds will not bear current interest but will increase in value by the accumulation of earned interest from their initial amounts on the date of delivery thereof (the "Denominational Amount") to their respective accreted values at maturity (the "Maturity Amount").

Principal or Maturity Amount of the Bonds is payable when due upon surrender of the Bonds at the office of the Paying Agent. The Bonds mature on August 1 in the years indicated on the inside cover page hereof. References herein to payment of principal of the Bonds includes payment of principal of the Current Interest Bonds at their maturity, and payment of the Maturity Amount of Capital Appreciation Bonds at their maturity. As long as DTC (defined below) is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC.

Denomination and Registration; Use of Book Entry System. The Bonds will be issued in fully registered form only, without coupons, and will be issued in denominations that have principal amounts or Maturity Amounts, as applicable, of \$5,000 or any integral multiple thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Owners will not receive

physical certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. See "THE BONDS – Book-Entry Only System" and "APPENDIX F - BOOK-ENTRY ONLY SYSTEM."

Payment

The Bonds are secured by and are payable from a levy of *ad valorem* taxes levied upon all the taxable real and personal property within the District. See "SECURITY – *Ad Valorem* Property Taxation and Collection." The Bonds mature on the dates and in the years and amounts set forth on the inside cover pages hereof.

Current Interest Bonds. Interest on the Current Interest Bonds is payable on August 1, 2011, and semiannually thereafter on February 1 and August 1 of each year (each, an "Interest Payment Date"), computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated as of a day during the period after the fifteenth day of the month preceding an Interest Payment Date (the "Record Date") to that Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before July 15, 2011, in which event it shall bear interest from the date of issuance of the Bonds; provided, that if at the time of authentication of any Current Interest Bond, interest is in default on such Current Interest Bond, such Current Interest Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds.

The interest on the Current Interest Bonds is payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof (an "Owner") as of the close of business on any Record Date, whether or not such day is a business day, such interest to be paid by check or draft mailed on such Interest Payment Date to such Owner at such Owner's address as it appears on such registration books or at such address as the Owner may have filed with the Paying Agent for that purpose. The interest payments on the Current Interest Bonds may be made by federal fund wire transfer to any Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds who has requested in writing such method of payment of interest on such Current Interest Bonds prior to the close of business on the applicable Record Date.

Capital Appreciation Bonds. The Capital Appreciation Bonds will not bear current interest, but will accrete in value from their Denominational Amounts to their respective Maturity Amounts on their respective maturity dates on the basis of a constant interest rate (with straight line interpolations between compounding interest dates), compounded commencing August 1, 2011, and semiannually thereafter on February 1 and August 1 in each year and shall be payable only at maturity. The accretion with regard to Capital Appreciation Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. The Capital Appreciation Bonds will be issued in denominations of \$5,000 Maturity Amount or any integral multiple thereof. Attached as APPENDIX G is a table of Accreted Values for the Capital Appreciation Bonds that has been computed as of each February 1 and August 1 per \$5,000 of Maturity Amount, based upon the accretion rates of such Capital Appreciation Bonds as set forth on the inside cover page hereof. The Capital Appreciation Bonds mature on August 1 in the years and Maturity Amounts set forth on the inside cover page hereof.

The Maturity Amount of the Capital Appreciation Bonds is payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent upon the surrender thereof when due, at the principal corporate trust office of the Paying Agent in San Diego, California.

Estimated Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied as follows:

<u>Sources of Funds</u>	
Principal Amount of Bonds	\$68,730,371.35
Net Original Issue Premium	<u>716,045.00</u>
Total Sources:	\$69,446,416.35
<u>Uses of Funds</u>	
Deposit to Building Fund	\$68,730,371.35
Underwriters' Discount	446,747.41
Payment of Costs of Issuance ⁽¹⁾	195,175.00
Deposit to Debt Service Fund	<u>74,122.59</u>
Total Uses:	\$69,446,416.35

⁽¹⁾ Costs of issuance include but are not limited to financial advisory fees, printing costs, fees and expenses of Bond Counsel and Disclosure Counsel and other issuance expenses.

Redemption

Current Interest Bonds.

Optional Redemption. The Current Interest Bonds maturing on or before August 1, 2021, are not subject to redemption prior to their fixed maturity dates. The Current Interest Bonds maturing on and after August 1, 2022, are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, on any date on or after August 1, 2021, as a whole or in part, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, with interest accrued thereon to the date of redemption, without premium.

Mandatory Redemption. The Current Interest Term Bonds maturing on August 1, 2036, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2031, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Current Interest Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

<u>Redemption Date (August 1)</u>	<u>Principal Amount</u>
2031	\$ 2,255,000.00
2032	2,485,000.00
2033	2,725,000.00
2034	2,980,000.00
2035	3,255,000.00
2036 ⁽¹⁾	3,545,000.00

⁽¹⁾ Maturity.

The Current Interest Term Bonds maturing on August 1, 2040, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2037, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Current Interest Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal Amount</u>
2037	\$ 3,855,000.00
2038	4,220,000.00
2039	4,690,000.00
2040 ⁽¹⁾	11,200,000.00

⁽¹⁾ Maturity.

In the event that a portion of the Current Interest Term Bonds maturing on August 1, 2036, or August 1, 2040, are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, in integral multiples of \$5,000 principal amount, in respect of the portion of such Current Interest Term Bonds optionally redeemed.

Capital Appreciation Bonds.

Optional Redemption. The Capital Appreciation Bonds are not subject to optional redemption prior to their fixed maturities.

Mandatory Redemption. The Capital Appreciation Term Bonds maturing on August 1, 2041, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2040, at a redemption price equal to the Accreted Value thereof as of the date of such payment, without premium. The Accreted Value of such Capital Appreciation Term Bonds to be so redeemed and the dates therefor and the final sinking fund payment date are as indicated in the following table:

<u>Redemption Date</u> <u>(August 1)</u>	<u>Accreted Value</u>	<u>Accreted Value</u> <u>Per \$5,000</u> <u>Maturity Amount</u>
2040	\$ 3,747,277.10	\$4,660.79
2041 ⁽¹⁾	15,895,000.00	5,000.00

⁽¹⁾ Maturity.

The Capital Appreciation Term Bonds maturing on August 1, 2046, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2042, at a redemption price equal to the Accreted Value thereof as of the date of such payment, without premium. The Accreted Value of such Capital Appreciation Term Bonds to be so redeemed and the dates therefor and the final sinking fund payment date are as indicated in the following table:

Redemption Date (August 1)	Accreted Value	Accreted Value Per \$5,000 Maturity Amount
2042	\$16,697,710.33	\$3,753.29
2043	16,697,710.33	4,032.29
2044	17,115,837.69	4,332.03
2045	17,541,095.15	4,654.04
2046 ⁽¹⁾	17,980,000.00	5,000.00

⁽¹⁾ Final Maturity.

Selection of Bonds for Redemption

Whenever provision is made in the Resolution or in the Contract of Purchase for the redemption of the Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, in inverse order of maturity within a series. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Current Interest Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof and the portion of any Capital Appreciation Bond to be redeemed in part shall be in the Maturity Amount of \$5,000.

Notice of Redemption

When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, shall give notice (a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price or Accreted Value, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount or Accreted Value of such Bond to be redeemed, and (g) the original issue date, interest rate or accretion rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest on Bonds shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice: (i) at least 30 but not more than 60 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the Bond Register; (ii) in the event the Bonds shall no longer be

held in book-entry only form, at least two days before the date of the publication, such Redemption Notice shall be given by (1) first class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to DTC, or such other securities depository as the District may designate,; and (iii) in the event Bonds shall no longer be held in book-entry only form, at least two days before the date of the publication, such Redemption Notice shall be given by (1) first class mail, postage prepaid, or (2) overnight delivery service, to one of the Information Services.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number identifying, by series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof of a new Bond or Bonds of like tenor, series and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside for the redemption price thereof, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available thereof on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner thereof or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent, together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and series and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Debt Service Schedule

On October 13, 2004, the District issued its Election of 2000 Series 2004 Bonds in the aggregate principal amount of \$49,353,974.05 (the "Series 2004 Bonds"). On February 17, 2005, the District issued its 2005 General Obligation Refunding Bonds in the aggregate principal amount of \$40,575,000 (the "2005 Refunding Bonds"). On August 4, 2005, the District issued its 2005 General Obligation Refunding Bonds, Series B in the aggregate principal amount of \$37,456,116.40 (the "2005 Refunding Bonds, Series B"). On November 5, 2009, the District issued its Election of 2008 General Obligation Bonds, Series A in the aggregate principal amount of \$10,225,000 and its Election of 2008 General Obligation Bonds, Series B in the aggregate principal amount of \$89,775,000 (the "2009 Bonds" and, together with the Series 2004 Bonds, the 2005 Refunding Bonds and the 2005 Refunding Bonds, Series B, the "Existing Bonds").

The following table summarizes the debt service requirements of the District for its outstanding general obligation bonds issued under the prior authorizations and general obligation bonds previously issued under the Authorization (collectively, the "Existing Bonds") and the Bonds:

Bond Year Ending August 1	Combined Debt Service on Existing Bonds	Debt Service on the Bonds		Total Debt Service
		Principal	Interest	
2011	\$ 14,203,539.50	\$ 2,285,000.00	\$ 357,214.06	\$ 16,845,753.56
2012	14,572,077.00	45,000.00	2,834,862.50	17,451,939.50
2013	15,082,614.50	--	2,833,962.50	17,916,577.00
2014	15,611,114.50	30,000.00	2,833,962.50	18,475,077.00
2015	16,159,652.00	100,000.00	2,833,062.50	19,092,714.50
2016	16,743,389.50	175,000.00	2,830,062.50	19,748,452.00
2017	17,347,589.50	260,000.00	2,823,062.50	20,430,652.00
2018	11,828,364.50	345,000.00	2,812,662.50	14,986,027.00
2019	11,594,527.00	440,000.00	2,798,862.50	14,833,389.50
2020	11,862,777.00	545,000.00	2,776,862.50	15,184,639.50
2021	12,142,477.00	655,000.00	2,749,612.50	15,547,089.50
2022	12,420,977.00	775,000.00	2,716,862.50	15,912,839.50
2023	12,674,792.00	900,000.00	2,678,112.50	16,252,904.50
2024	16,829,857.00	1,035,000.00	2,633,112.50	20,497,969.50
2025	17,348,422.00	1,180,000.00	2,581,362.50	21,109,784.50
2026	17,900,277.50	1,325,000.00	2,522,362.50	21,747,640.00
2027	18,461,386.50	1,490,000.00	2,456,112.50	22,407,499.00
2028	19,029,679.50	1,665,000.00	2,381,612.50	23,076,292.00
2029	14,944,087.00	1,850,000.00	2,298,362.50	19,092,449.50
2030	9,227,826.50	2,045,000.00	2,205,862.50	13,478,689.00
2031	9,314,472.00	2,255,000.00	2,103,612.50	13,673,084.50
2032	9,392,241.00	2,485,000.00	1,985,225.00	13,862,466.00
2033	9,464,412.50	2,725,000.00	1,854,762.50	14,044,175.00
2034	9,528,687.50	2,980,000.00	1,711,700.00	14,220,387.50
2035	9,588,258.50	3,255,000.00	1,555,250.00	14,398,508.50
2036	9,640,956.50	3,545,000.00	1,384,362.50	14,570,319.00
2037	9,679,612.50	3,855,000.00	1,198,250.00	14,732,862.50
2038	9,717,419.00	4,220,000.00	1,005,500.00	14,942,919.00
2039	9,736,484.00	4,690,000.00	794,500.00	15,220,984.00
2040	--	11,684,289.40	3,822,987.70	15,507,277.10
2041	--	1,914,870.65	13,980,129.35	15,895,000.00
2042	--	1,748,586.00	14,540,697.60	16,289,283.60
2043	--	1,668,408.90	15,029,301.43	16,697,710.33
2044	--	1,591,857.90	15,523,979.79	17,115,837.69
2045	--	1,518,530.10	16,022,565.05	17,541,095.15
2046	--	1,448,828.40	16,531,171.60	17,980,000.00
Total	\$382,047,970.50	\$68,730,371.35	\$160,001,946.58	\$610,780,288.43

COLLEGE OFFICIAL STATEMENT Re: CABs

Southwestern College has always looked for the best combination of financing that would be the most cost effective for taxpayers. This particular financing combination ensures taxpayers are not paying anything more than 3.3 times the original amount financed. That is considerably lower than the repayment amount of a conventional home mortgage.

The majority of this issue was a current interest bond. By combining the current interest bond with the capital appreciation bond, the overall repayment of the college's debt service is within the limits taxpayers were willing to pay in 2008. (\$19.60 per \$100,000 of assessed valuation).

This particular Capital Appreciation CAN be repaid. There are two opportunities in this issue: in 2040 and in 2042.

This bond issue, as well as every other bond issue the district has, is open for public review. The district has been, and will continue to be, fiscally conservative in calculating the cost of repaying the bonds. College administration and the Governing Board remain committed to honoring the ballot language that says taxpayers will not pay more than \$19.60 per \$100,000 assessed valuation for the life of the General Obligation Bond.

The County Treasurer collects enough property taxes to make the debt service payments on all the college district's bonds.

Enclosure
Agenda Item #4


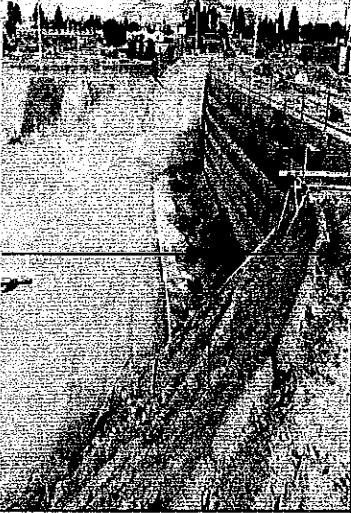


PROPOSITION R - MONTHLY EXECUTIVE UPDATE

(Report: December 31, 2012)

KEY ACCOMPLISHMENTS / MILESTONES ACHIEVED


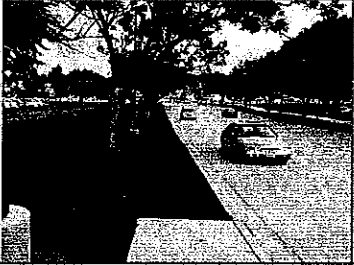


- Safety 203 days without incident – roughly 48,150 man hours recorded as of December 31, 2012
- Central Plant - Structural Steel work is 70% complete and curtain (glass) wall frames under fabrication
- Field House temporary dewatering measures ongoing, impact to overall project schedule. This unforeseen field condition will require additional funding and a change order amendment to complete work
- Practice Field – Synthetic turf under fabrication and scheduled to arrive in January

PHASE I PROJECT UPDATES

Project	Photo	Update
Central Plant		<ul style="list-style-type: none"> • Chillers are installed, boilers and other equipment are under installation • Cooling tower and chillers overhead piping are being installed and field welded • Plumbing and electrical rough-in is near completion • Steel stud framing is complete with DensGlass and drywall starting • 44% complete
Field House		<ul style="list-style-type: none"> • The sixth lift on the soil nail wall is complete with the seventh lift started • Dewatering operations ongoing. Project currently behind schedule until dewatering operation is complete. Met with Architect/Engineer and CM on proposed scenario and recommended steps. Additional change orders are required to complete dewatering work • Additional soil and geological investigation required by Construction Testing & Engineering, estimated cost \$27,000 • Additional canyon drain, temporary dewatering by specialty contractor and CM general condition, rough order of magnitude (ROM) cost \$700,000 - \$850,000 • Structural Steel fabrication for the Field House ongoing • 6% complete
DeVore Stadium Outer Buildings		<ul style="list-style-type: none"> • Structural steel beams for roofs are complete • Plumbing and electrical rough-in is near completion on the restroom building and concession stand building • Painting of the interior walls underway • 50% complete
Practice Field		<ul style="list-style-type: none"> • Perimeter concrete curb is complete • New drainage system is complete • Final grade clean in preparation for turf underlayment is ongoing • Final layout of fields and turf has been reviewed and approved by architect and owner • 52% complete

PROPOSITION R - MONTHLY EXECUTIVE UPDATE

(Report: December 31, 2012)







Central Plant Loop		<ul style="list-style-type: none"> • Final walk through for full acceptance by SWC complete • Punch list signed off and complete by SWC • 100% complete
Landscaping and Entry Construction		<ul style="list-style-type: none"> • Project is in FINAL closeout • Working on DSA closeout • 99% Complete
Updated Security, Blue Light Emergency Phone and Technology		<ul style="list-style-type: none"> • Developing preliminary scope of work and location with Campus Safety
National City New Two- Story Facility		<ul style="list-style-type: none"> • Preliminary meeting took place with Dean and Architect of Record (Johnson Favaro) • Project on hold pending Master Plan
Furniture, Fixtures & Equipment "FFE"		<ul style="list-style-type: none"> • Evaluating programming activities
PV / Solar projects		<ul style="list-style-type: none"> • Feasibility and Master Plan in Progress • Open Q / A dialogue session with Community College League of California, a nonprofit public benefit corporation
Design Standards		<ul style="list-style-type: none"> • Preliminary draft under review by SWC team • Upon receiving comments, will be incorporated into the final documents

NOTE: New planning activities have been included in Schedule Overview to reflect possible impacts to program due to current and pending contract actions. These are gross estimates only and depend on multiple factors and decisions.

PROPOSITION R - MONTHLY EXECUTIVE UPDATE

(Report: December 31, 2012)

SCHEDULE OVERVIEW

#	Project Name	2012				2013												2014											
		9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
741	SDGE Project																												
741	Corner Lot	SUSPENDED																											
722	Central Plant																												
722	Field House, Fields																												
729	Landscaping and Entry	COMPLETE																											
TBD	Techonology Project	PENDING MASTER PLAN																											
TBD	Emergency Blue-Lights																												
742	National City New 2-Story Facility	PENDING MASTER PLAN																											
737	Ph 1 - Equipment for Buildings																												
LEGEND  Planning  Design  DSA Review  Bid / Award  Construction / Close-out  Separate Procurement / Install		<div>Southwestern College</div> <div>Proposition R -- Breakdown of Phase 1 "NEW LOOK"</div>																											
Data Date - 10/01/2012																													

PROPOSITION R - MONTHLY EXECUTIVE UPDATE

(Report: December 31, 2012)

BUDGET OVERVIEW

The table below is based on the money spent to date per the District's accounting system software as of December 31, 2012. Note that only those projects that have charges against them are currently shown.

701 - Program Level		
	Spent	
DESIGN	\$0	
CONSTRUCTION	\$0	
QUALILTY ASSURANCE	\$0	
FF&E	\$0	
PM	\$3,014,833	
SWC	\$58,720	
Total	\$3,073,553	

722 - Central Plant, Field House, Fields		
	Spent	
DESIGN	\$2,527,064	
CONSTRUCTION	\$15,033,663	
QUALILTY ASSURANCE	\$279,253	
FF&E	\$4,889	
PM	\$0	
SWC	\$0	
Total	\$17,844,869	

729 – Landscaping & Entry		
	Spent	
DESIGN	\$136,033	
CONSTRUCTION	\$1,387,846	
QUALILTY ASSURANCE	\$56,968	
FF&E	\$0	
PM	\$0	
SWC	\$0	
Total	\$1,580,847	

741 – Corner Lot		
	Spent	
DESIGN	\$3,617,463	
CONSTRUCTION	\$821,144	
QUALILTY ASSURANCE	\$6,153	
FF&E	\$0	
PM	\$0	
SWC	\$0	
Total	\$4,444,760	

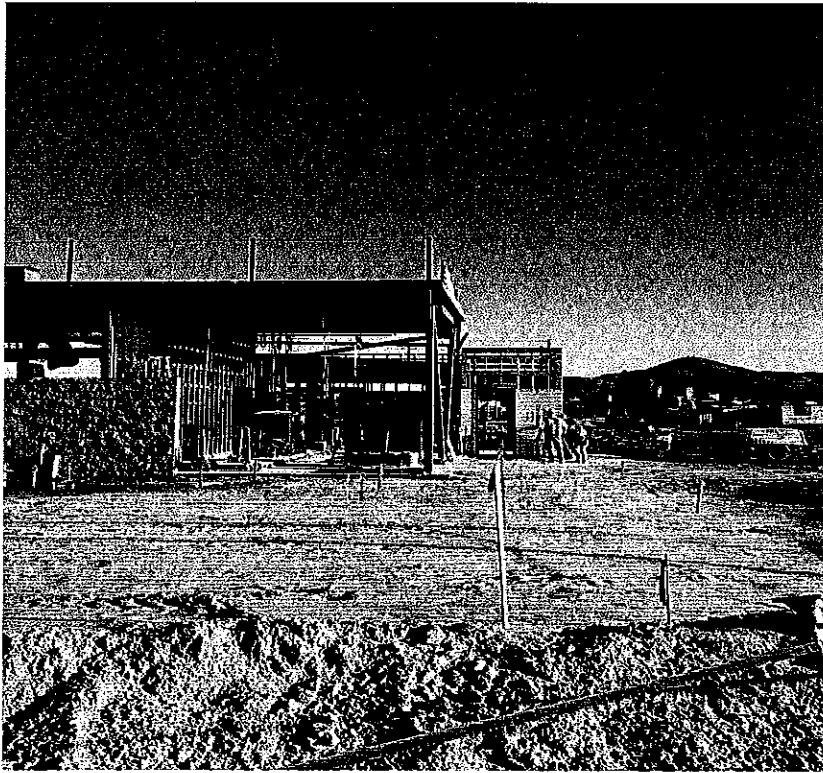
742 – National City 2 Story		
	Spent	
DESIGN	\$15,780	
CONSTRUCTION	\$0	
QUALILTY ASSURANCE	\$0	
FF&E	\$0	
PM	\$0	
SWC	\$0	
Total	\$15,780	

Total		
	Spent	
DESIGN	\$6,296,341	
CONSTRUCTION	\$17,242,653	
QUALILTY ASSURANCE	\$342,373	
FF&E	\$4,889	
PM	\$3,014,833	
SWC	\$58,720	
Total	\$26,959,809	

Total Spent through December 31, 2012: \$26,959,809

Progress Photos of Central Plant, Field House and Stadium Improvement

.The Central Plant metal stud framing



DensGlass wall exterior sub-framing looking at corner of ticket booth area

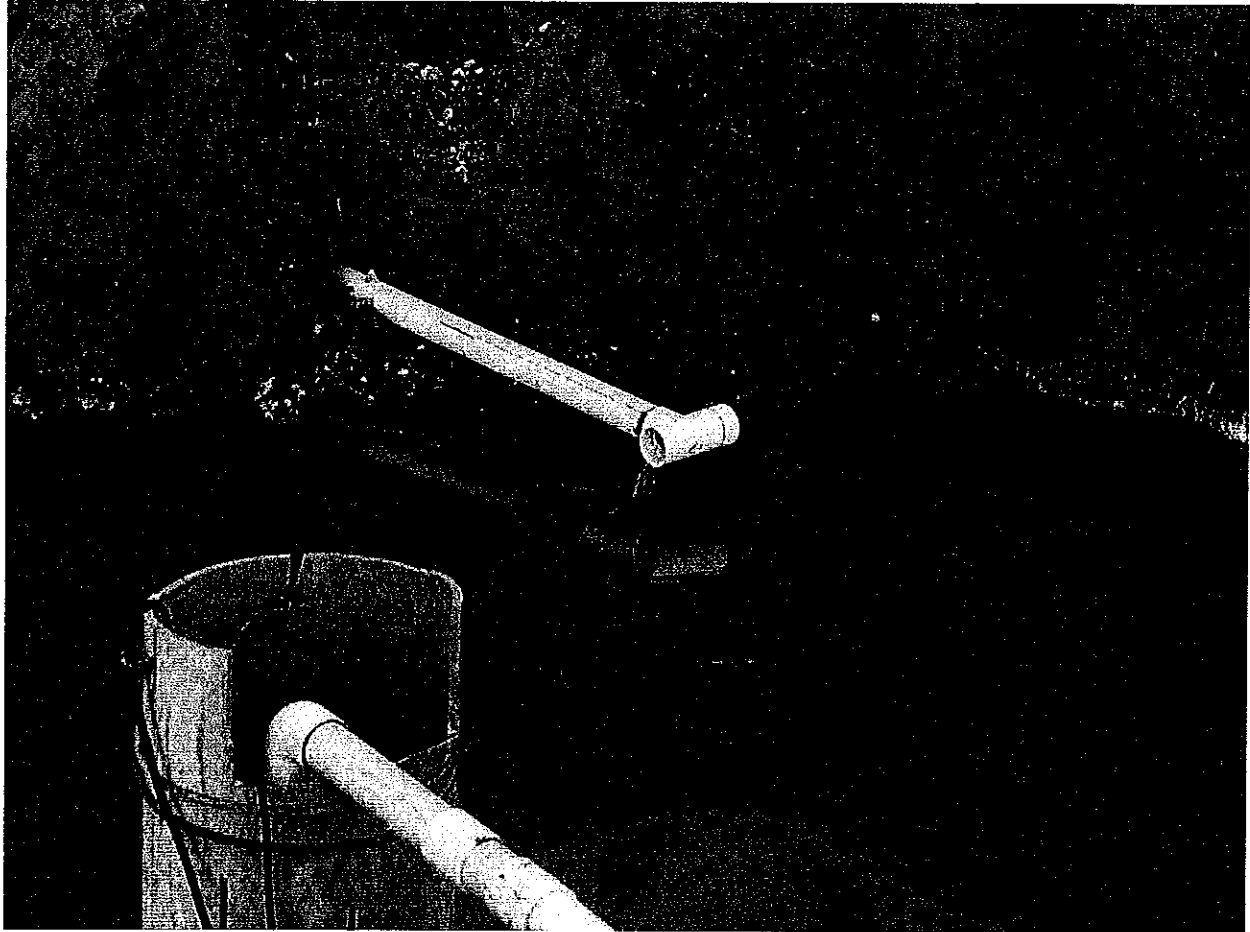


Progress Photos of Central Plant, Field House and Stadium Improvement

Soil nail structural wall dewatering efforts at the new Field House project site. This is an unforeseen field condition

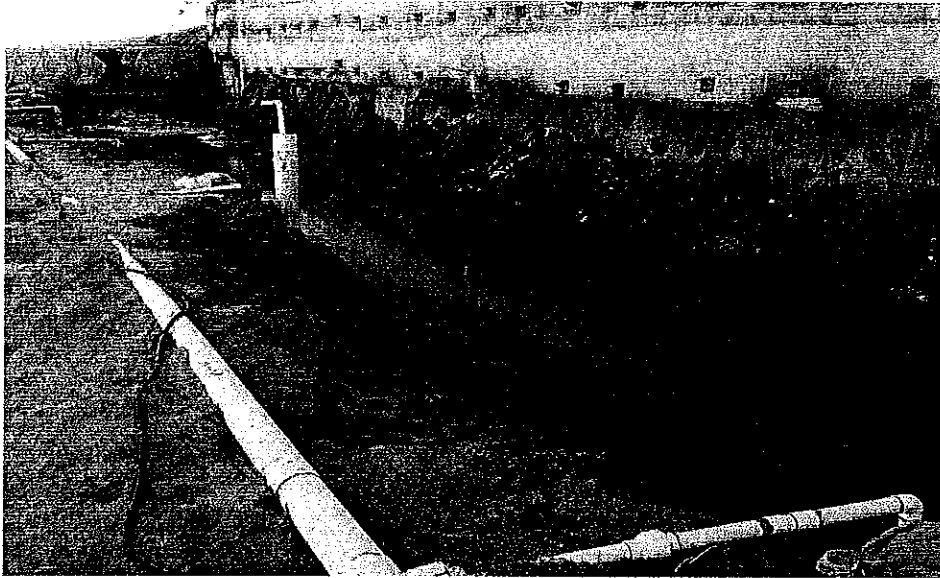


Temporary drain for groundwater and temporary well to pump water out of the soil nail wall area



Progress Photos of Central Plant, Field House and Stadium Improvement

Temporary wells pumping standing water from surface and sub-terrain area

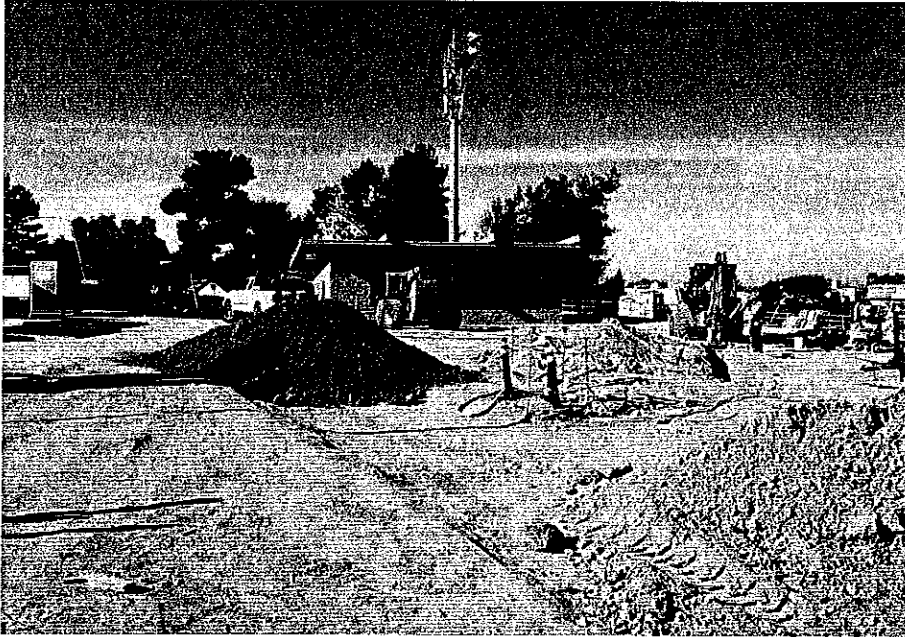


Temporary water basin pond for dewatering effort

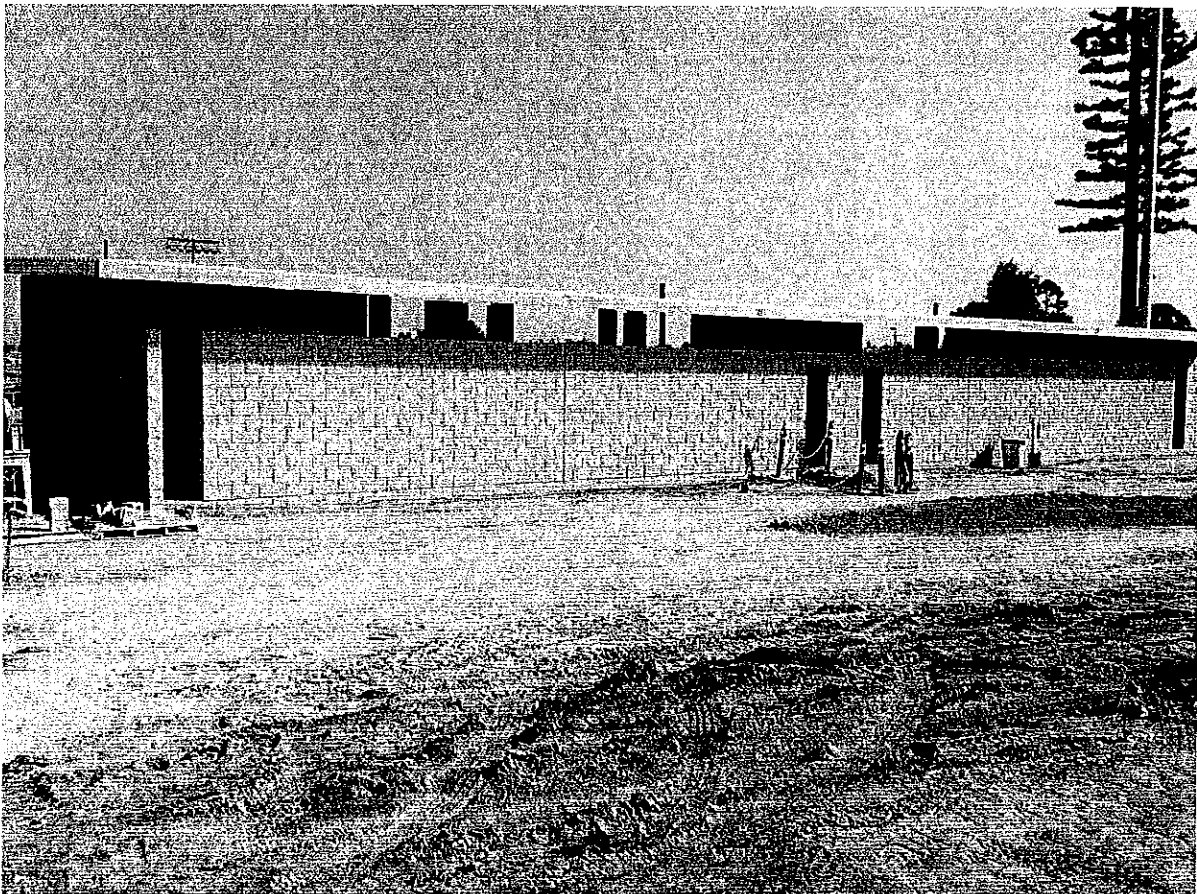


Progress Photos of Central Plant, Field House and Stadium Improvement

Concession stands on Home side bleacher



New Men's and Women's restrooms on Home side bleacher



Progress Photos of Central Plant, Field House and Stadium Improvement

Practice Field – Final preparation for sub-base to receive synthetic turf



Enclosure
Agenda Item #5

**Southwestern Community
College District
Proposition "R" Bond Fund**

Chula Vista, California

*Financial Statements, Supplemental
Information and Independent Auditors' Reports*

For the year ended June 30, 2012

**Southwestern Community College District
Proposition "R" Bond Fund**

TABLE OF CONTENTS

	<u>Page</u>
Introduction and Citizens' Oversight Committee Member Listing	i
Independent Auditors' Report.....	1
 <u>FINANCIAL STATEMENTS:</u>	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5
Notes to Financial Statements	7
 <u>SUPPLEMENTAL INFORMATION:</u>	
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements.....	16
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	17
Report on Internal Control and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Independent Auditors' Report on Performance.....	23
Schedule of Findings and Questioned Costs	25

Southwestern Community College District Proposition "R" Bond Fund

Introduction and Citizens' Oversight Committee Member Listing

Southwestern Community College District (District) is located entirely within San Diego County and consists of one two-year college and two 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 4, 2008, by majority election of the District's registered voters, \$389,000,000 in general obligation bonds (Proposition "R") were authorized to be issued and sold for the benefit of the District. Proceeds from the bonds are to be used for construction, reconstruction and/or rehabilitation of facilities, including the furnishing and equipping of its facilities, acquisition, or lease of real property for its facilities and construction management by District personnel. Under the terms of Proposition "R", a Citizens' Oversight Committee was established to oversee the expenditures of the Proposition "R" proceeds. The first issuance and sale of general obligation bonds consisted of two series: Series 2008A and Series 2008B which closed on October 22, 2009 for \$10,225,000 and \$89,775,000, respectively, for a combined principal amount of \$100,000,000. The second issuance and sale of general obligation bonds consisted of Series 2008C, which closed on June 2, 2011 for \$68,730,371.

Proposition "R" 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 XIII A, §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 XIII A, §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.

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

Name
Joe David Casillas - Senior Citizen Group Representative
Thomas Davis - Advisory of Foundation
Claudia Duran - Student Representative
Matt Kriz - Taxpayer Organization Member
Nicholas J. Segura, Jr. - At-Large Community Member
Ditas Yamane - At-Large Community Member



6265 Greenwich Drive
Suite 220
San Diego, California 92122

Phone: (858) 242-5100
Fax: (858) 242-5150
www.pm-llp.com

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and
the Citizen's Bond Oversight Committee
Southwestern Community College District
Chula Vista, California

We have audited the accompanying balance sheet and statement of revenues, expenditures, and changes in fund balances for the Proposition "R" Bond Fund ("Bond Fund") of the Southwestern 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 financial statements based on our audit.

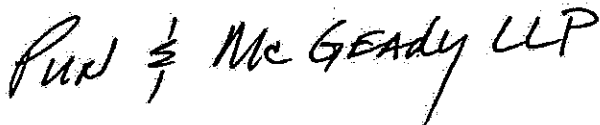
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 2 to the financial statements, the financial statements present only the Proposition "R" Bond Fund and are not intended to, and do not, present fairly the financial position of the District as of June 30, 2012, and the results of operations and 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 operations and changes in fund balance of the Bond Fund of the District as of and for the year ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the District's internal control over financial reporting in regard to the Proposition "R" Bond Fund 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 that collectively comprise the Bond Fund's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Rick J. McGeady LLP". The signature is written in a cursive, flowing style.

San Diego, California
December 20, 2012

FINANCIAL STATEMENTS

Southwestern Community College District
Proposition "R" Bond Fund
Balance Sheet
June 30, 2012

ASSETS

Current assets:

Restricted cash and investments	\$ 158,852,263
Accounts receivable	242,311
Due from SWCCD	<u>98,613</u>
Total current assets	<u>159,193,187</u>
Total assets	<u>\$ 159,193,187</u>

**LIABILITIES AND
FUND BALANCES**

Current Liabilities:

Accounts payable	\$ 2,849,980
Due to SWCCD's General Fund	<u>3,324</u>
Total current liabilities	<u>2,853,304</u>
Total liabilities	<u>2,853,304</u>

Fund Balances:

Restricted for capital projects	<u>156,339,883</u>
Total fund balances	<u>156,339,883</u>
Total liabilities and fund balances	<u>\$ 159,193,187</u>

See accompanying Notes to Financial Statements.

Southwestern Community College District
Proposition "R" Bond Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2012

REVENUES:

Interest income	\$ 707,529
Total revenues	<u>707,529</u>

EXPENDITURES:

Classified salaries	2,941
Employee benefits	327
Services and other operating expenditures	3,239
Capital outlay	<u>6,018,134</u>
Total expenditures	<u>6,024,641</u>

**REVENUES OVER
(UNDER) EXPENDITURES**

(5,317,112)

Changes in fund balances

(5,317,112)

FUND BALANCES:

Beginning of year	<u>161,656,995</u>
End of year	<u><u>\$ 156,339,883</u></u>

See accompanying Notes to Financial Statements.

This page intentionally left blank.

Southwestern Community College District
Proposition "R" Bond Fund
Notes to Financial Statements
For the year ended June 30, 2012

1. DEFINITION OF THE BOND FUND

The Proposition "R" Bond Fund (the "Bond Fund") is used to account for acquisition, construction, and renovation of classrooms, science labs, libraries, and other facilities for Southwestern Community College District (the "District"). The Bond Fund is one of the capital projects funds of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The budgetary and financial accounts of the District have been recorded and maintained in accordance with the California Community Colleges Chancellor's Office's *Budget and Accounting Manual*.

Fund Structure

The accompanying financial statements are used to account for the transactions of the Bond Fund as defined in Note 1 and are not intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Bond Fund 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 fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or serviced or services rendered).

Budgets and Budgetary Accounting

The Board of Trustees (the "Board") adopts an operating budget no later than July 1, in accordance with state law. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of the budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriation by account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances were liquidated at June 30 since they do not constitute expenditures or liabilities.

Southwestern Community College District
Proposition "R" Bond Fund
Notes to Financial Statements, Continued
For the year ended June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted Cash and Investments

Cash that is externally restricted for contractual obligations such as debt service payments, sinking or reserve funds, or to purchase or construct capital or other non-current assets is classified as a current asset in the statement of net assets.

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.

Due from SWCCD's General Fund

These amounts represent amounts paid by the Bond Fund that represented general obligations of the District and are to be repaid by the District's General Fund.

Classification of Fund Balances

Fund balances are classified as follows:

Nonspendable Fund Balance – 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.

Restricted Fund Balance – 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.

Committed Fund Balance – 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.

Assigned Fund Balance – 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 Vice President is authorized to determine and define the amount of assigned fund balances.

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

Southwestern Community College District
Proposition "R" Bond Fund
Notes to Financial Statements, Continued
For the year ended June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Spending Policy

When expenditures is 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 generally accepted accounting principles requires management to make 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 amount of revenues and expenses during the reporting period. Actual results could differ from the reported.

3. CASH AND INVESTMENTS

The following is a summary of the Bond Fund's cash and investments at June 30, 2012:

	<u>Amount</u>
Cash in County treasury	<u>\$ 109,352,813</u>
Investment contract:	
Cash in bank accounts	\$ 24,856,830
US Government securities	5,044,711
Certificates of Deposit	<u>19,597,909</u>
Total investment contract	<u>49,499,450</u>
Total cash and investments	<u><u>\$ 158,852,263</u></u>

Southwestern Community College District
Proposition "R" Bond Fund
Notes to Financial Statements, Continued
For the year ended June 30, 2012

3. CASH AND INVESTMENTS, Continued

Cash, cash equivalents, and investments consisted of the following at June 30, 2012:

	<u>Amount</u>
Cash and cash equivalents:	
Cash in County treasury	\$ 109,352,813
Cash in bank accounts	<u>24,856,830</u>
Total cash and cash equivalents	<u>134,209,643</u>
Investments:	
US Government securities	5,044,711
Certificates of Deposit	<u>19,597,909</u>
Total investments	<u>24,642,620</u>
Total cash and investments	<u><u>\$ 158,852,263</u></u>

In accordance with Education Code §41001, the Bond Fund maintains a portion of its cash in the San Diego County Treasury. The County pools these funds with those of other districts in San Diego County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et.seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

At June 30, 2012, the Bond Fund had \$109,352,813 invested in the San Diego County Investment Pool.

The Bond Fund also maintains a significant portion of its cash and investments in an investment contract with PMA Financial Network. At June 30, 2012, the carrying value was \$49,499,450. The District 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. Investments in the PMA Financial Network account value are recorded at fair value.

Interest Rate Risk

Interest rate risk is the risk that a change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. None of the Bond Fund's investments are highly sensitive to interest rate fluctuation.

Southwestern Community College District
Proposition "R" Bond Fund
Notes to Financial Statements, Continued
For the year ended June 30, 2012

3. CASH AND INVESTMENTS, Continued

Credit Risk

The District's investments are rated by the nationally recognized statistical rating organizations as follows:

	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Federal Home Loan Bank	\$ 4,709,493	Aaa	AAA
Federal Home Loan Mortgage Corporation	335,218	Aaa	AAA
Total US Government securities	<u>5,044,711</u>		
Certificates of deposit	19,597,909	Not Rated	Not Rated
Total investments	<u>\$ 24,642,620</u>		

Concentration of Credit Risk

The investment policy limits the percentage of the portfolio that can be invested in certain types of investments. The District is in compliance with the investment policy with respect to investment type percentages for the total portfolio.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the broker or dealer to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

Custodial Credit Risk, Continued

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits, and collateral is considered to be held in the name of the District. All District cash held by financial institutions is entirely insured or collateralized.

Southwestern Community College District
Proposition "R" Bond Fund
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:

<u>Project Name</u>	<u>Expenditures</u>
Devore Stadium/Field House	\$ 3,467,889
100-102 Complex	5,598
Building 382 Complex Renovation	1,616
Corner Parcel	760,394
Landscape/Main Entry	1,129,023
Program Management	660,121
Total Bond Fund Expenditures	\$ 6,024,641

5. BONDED DEBT OF THE DISTRICT

On October 22, 2009, as authorized by the registered voters of the Southwestern Community College District in the election of November 4, 2008, the District issued \$10,225,000 of Election of 2008 General Obligation Bonds, Series A, and \$89,775,000 of Election of 2008 General Obligation Bonds, Series B bonds. The Series A bonds are tax exempt. The Series B bonds were issued as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 ("Recovery Act"). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series B bonds on or about each interest payment date. The cash payment does not constitute the full faith and credit of the United States, but is required to be paid by the Treasury under the Recovery Act. The bonds are being issued to finance the repair, construction, acquisition and equipping of certain District sites and facilities and to pay costs of issuance with the bonds. The District has pledged additional property taxes assessed to pay the debt service.

In June, 2011, the District authorized the sale and issuance of 2008 General Obligation Bonds, Series C in the amount of \$68,730,371. Proceeds from the sale of the bonds will be used to finance the construction and renovation of classrooms and other college facilities throughout the District. The bonds were issued at a premium of \$716,045. In addition, there were bond issuance costs of \$641,922.

Interest on the Series C current interest bonds with principal of \$58,355,000 is payable February 1 and August 1, commencing August 1, 2011 at rates ranging from 1.0% to 5.25%. Principal is payable August 1, commencing August 1, 2011 and through the maturity date of August 1, 2030.

Interest on the Series C capital appreciation bonds with principal of \$10,375,371 will accrete in value commencing August 1, 2011 at rates ranging from 7.15% to 7.3% to the respective maturity amounts on August 1, 2041 and August 1, 2046.

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 principal and interest of the 2008 General Obligation Bonds Series C.

Southwestern Community College District
Proposition "R" Bond Fund
Notes to Financial Statements, Continued
For the year ended June 30, 2012

5. BONDED DEBT OF THE DISTRICT, Continued

The outstanding bonded debt of the District as of June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year	Due In More Than One Year
Bonds:						
GO Bond 2008, Series A	\$ 8,690,000	\$ -	\$ (115,000)	\$ 8,575,000	\$ 125,000	\$ 8,450,000
GO Bond 2008, Series B	89,775,000	-	-	89,775,000	-	89,775,000
GO Bond 2008, Series C	68,730,371	-	(2,285,001)	66,445,370	45,000	66,400,370
Total	\$167,195,371	\$ -	\$ (2,400,001)	\$164,795,370	\$ 170,000	\$164,625,370
Unamortized bond premium	1,741,832	-	(113,800)	1,628,032	-	1,628,032
Total	\$168,937,203	\$ -	\$ (2,513,801)	\$166,423,402	\$ 170,000	\$166,253,402

The annual requirements for debt service for the general obligation outstanding at June 30, 2012 are as follows:

	SERIES A		SERIES B		SERIES C	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 125,000	\$ 468,188	\$ -	\$ 6,401,727	\$ 45,000	\$ 2,834,413
2014	255,000	457,738	-	6,401,727	-	2,833,963
2015	400,000	439,725	-	6,401,727	30,000	2,833,513
2016	550,000	413,600	-	6,401,727	100,000	2,831,563
2017	715,000	378,813	-	6,401,727	175,000	2,826,563
2018-2022	6,530,000	1,015,300	-	32,008,635	2,245,000	13,907,963
2023-2027	-	-	12,570,000	30,149,906	5,215,000	13,001,438
2028-2032	-	-	20,535,000	24,410,379	9,305,000	11,210,119
2033-2037	-	-	31,295,000	15,188,240	14,990,000	8,097,813
2038-2042	-	-	25,375,000	2,841,209	26,364,160	20,202,242
2043-2047	-	-	-	-	7,976,210	77,647,715
	\$ 8,575,000	\$ 3,173,364	\$ 89,775,000	\$136,607,004	\$ 66,445,370	\$158,227,305

6. COMMITMENTS AND CONTINGENCIES

Litigation

The District is periodically involved in various litigations. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the District's financial statements.

Prop R Bond Fund Mediation

The District is currently involved in mediation with several contractors that were awarded contracts and performed work under Proposition R. Amounts to be returned by contractor(s) to the District or to be paid by the District to contractor(s), if any, are unknown as of the date of this report.

This page intentionally left blank.

SUPPLEMENTAL INFORMATION

Southwestern Community College District
Proposition R Bond Fund
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
For the year ended June 30, 2012

A reconciliation of fund balance reported to the State Chancellor's Office on the Annual Financial and Budget Report (CCFS-311) and the audited financial statements is as follows:

	Proposition "R" Fund
Fund balance per the CCFS-311 at June 30, 2012	<u>\$ 156,462,726</u>
Miscellaneous adjustments and reclassifications	<u>(122,843)</u>
Net adjustments and reclassifications	<u>(122,843)</u>
Fund balance per the audited fund financial statements at June 30, 2012	<u>\$ 156,339,883</u>

Southwestern Community College District
Proposition "R" Bond Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2012

REVENUES:	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Investment income	<u>\$ 250,000</u>	<u>\$ 707,529</u>	<u>\$ (457,529)</u>
Total revenues	<u>250,000</u>	<u>707,529</u>	<u>(457,529)</u>
 EXPENDITURES:			
Classified salaries	720,000	2,941	717,059
Employee benefits	335,000	327	334,673
Utilities	175,000	-	175,000
Services and other operating expenditures	-	3,239	(3,239)
Capital outlay	<u>60,085,000</u>	<u>6,018,134</u>	<u>54,066,866</u>
Total expenditures	<u>61,315,000</u>	<u>6,024,641</u>	<u>55,290,359</u>
 REVENUES OVER			
(UNDER) EXPENDITURES	<u>(61,065,000)</u>	<u>(5,317,112)</u>	<u>(55,747,888)</u>
 Changes in fund balances	<u>(61,065,000)</u>	<u>(5,317,112)</u>	<u>(55,747,888)</u>
 FUND BALANCES:			
Beginning of year		<u>161,656,995</u>	
End of year		<u>\$ 156,339,883</u>	

This page intentionally left blank.



6265 Greenwich Drive
Suite 220
San Diego, California 92122

Phone: (858) 242-5100
Fax: (858) 242-5150
www.pm-llp.com

**REPORT ON INTERNAL CONTROL AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees and
the Citizen's Bond Oversight Committee
Southwestern Community College District
Chula Vista, California

We have audited the accompanying financial statements of the Proposition "R" Bond Fund (the "Bond Fund") of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's basic internal control over financial reporting. Accordingly, we do not express 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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph 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.

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 grants, 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 Governing Board, the Citizen's Bond Oversight Committee, the District's management, others within the District, the federal and state awarding agencies and pass-through entities, 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.

RUN & McGEADY LLP

San Diego, California
December 20, 2012

PERFORMANCE AUDIT

This page intentionally left blank.



6265 Greenwich Drive
Suite 220
San Diego, California 92122

Phone: (858) 242-5100
Fax: (858) 242-5150
www.pgm-llp.com

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Trustees and
the Citizen's Bond Oversight Committee
Southwestern Community College District
Chula Vista, California

We conducted a performance audit of the Proposition 39/Proposition "R" General Obligation Bond (Bond Fund) of the Southwestern Community College District (the "District") 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 "R" General Obligation Bonds under the applicable provisions of Section 1 (b)(3)(C) of Article XIII A 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:

- Obtain documents detailing the expenditures charged to the District's Proposition "R" General Obligation Bond-funded capital outlay projects.
- Determine whether the proceeds of the sale of the Proposition "R" 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 with a performance audit report as required under the provision of the California Constitution and Proposition 39.

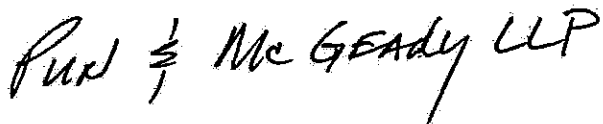
SCOPE OF THE AUDIT:

The scope of our performance audit covered the period of July 1, 2011 to June 30, 2012. We determined the Citizens' Bond Oversight Committee was formed timely. 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.

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 XIII A 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 "R". Accordingly, we do not 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 XIII A of the California Constitution for the year ended June 30, 2012. In addition, 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, the Citizen's Bond Oversight Committee and the District's management 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.

A handwritten signature in black ink that reads "Rick Mc Geady" followed by "LLP". The signature is written in a cursive, slightly slanted style.

San Diego, California
December 20, 2012

Southwestern Community College District
Proposition "R" Bond Fund
Schedule of Findings and Questioned Costs
For the year ended June 30, 2012

A. CURRENT YEAR FINDINGS AND QUESTIONED COSTS - BOND FUND PERFORMANCE AUDIT

There were no findings or questioned costs related to the performance audit of the Bond Fund for the year ended June 30, 2012.

B. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - BOND FUND PERFORMANCE AUDIT

There were no findings or questioned costs related to the performance audit of the Bond Fund for the year ended June 30, 2011.