

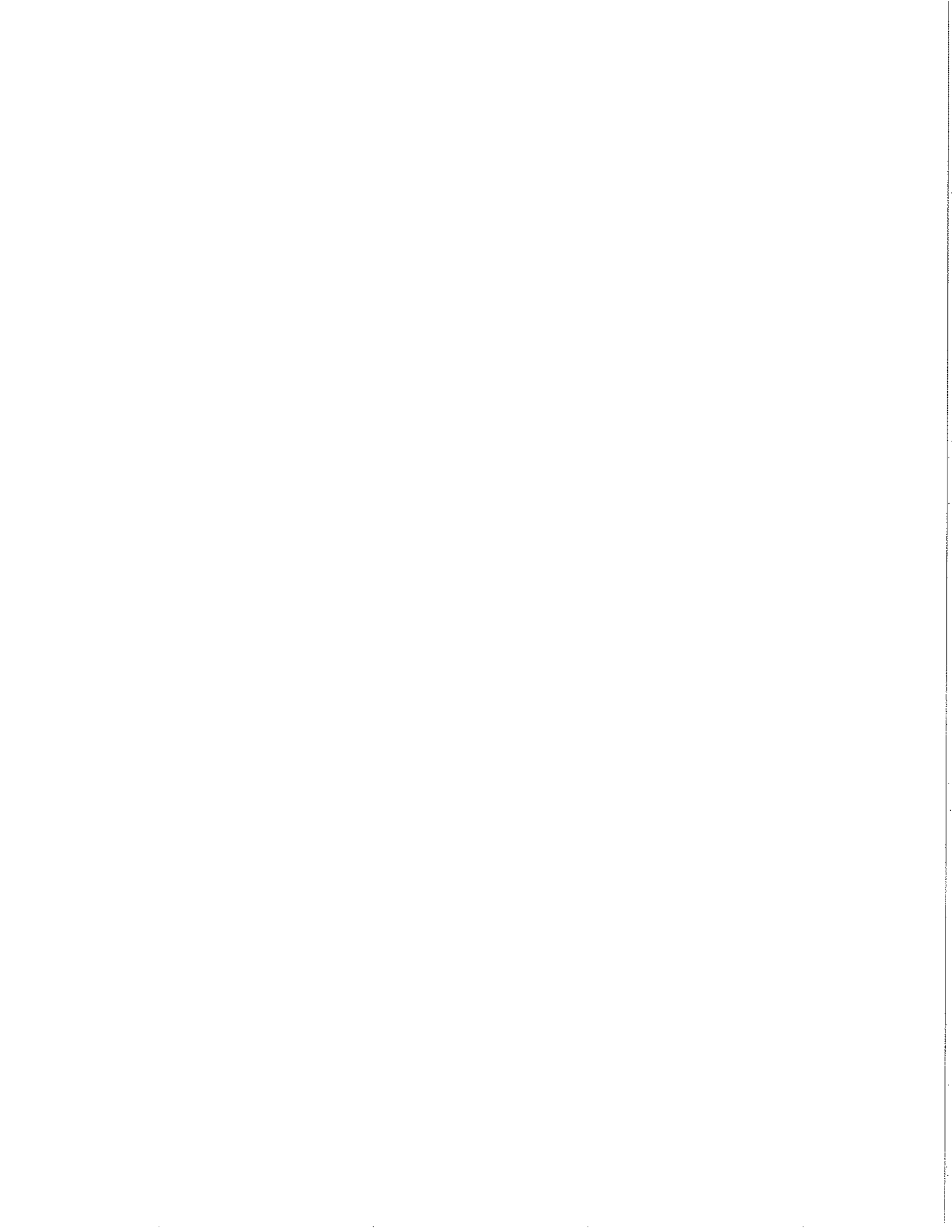
San Diego Community College Auxiliary Organization

San Diego, California

*Basic Financial Statements and
Independent Auditors' Report*

For the years ended June 30, 2008 and 2007

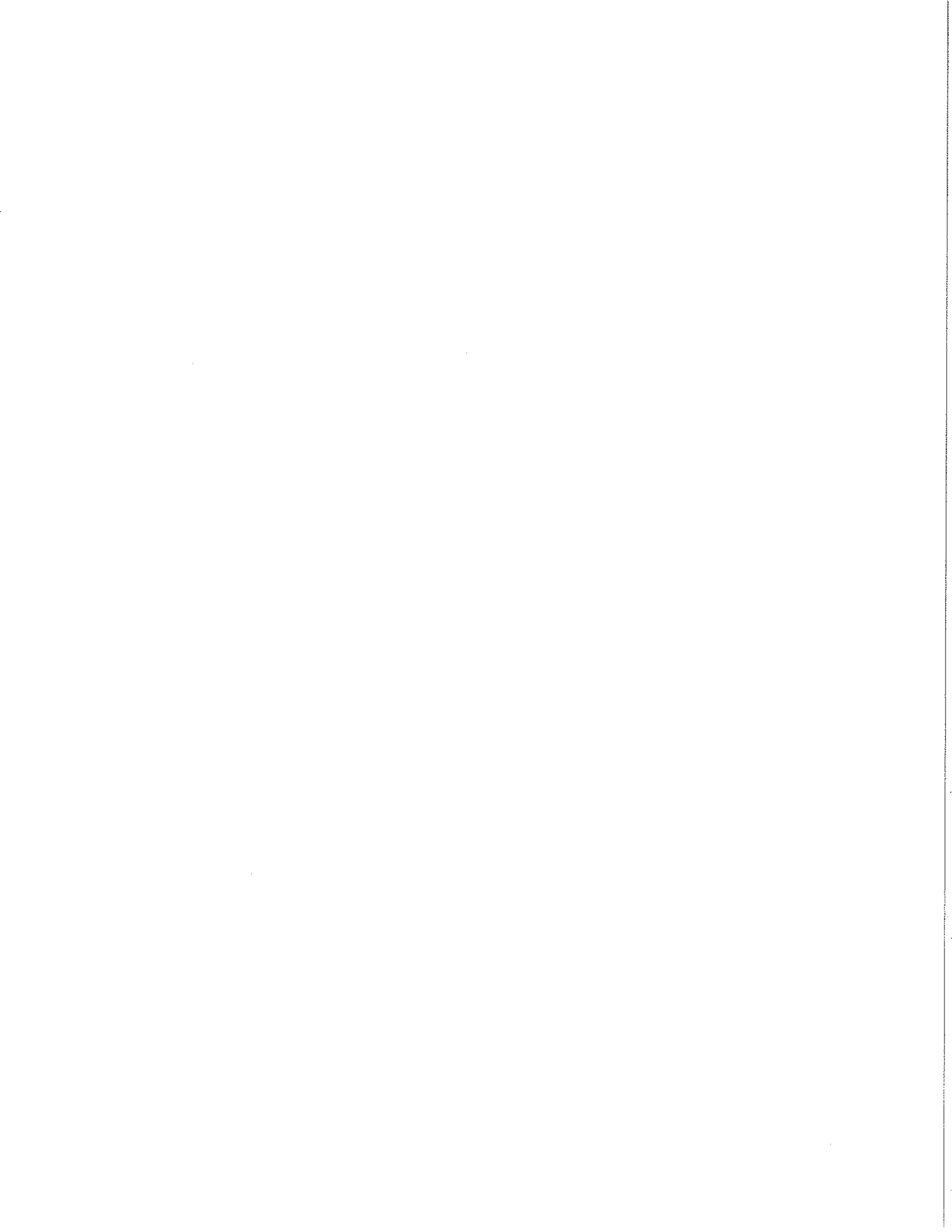
C&L
Caporicci & Larson
Certified Public Accountants



San Diego Community College Auxiliary Organization

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**SAN DIEGO COMMUNITY COLLEGE
AUXILIARY ORGANIZATION
June 30, 2008**

PURPOSE

The San Diego Community College Auxiliary Organization was formed in 1990 to promote and assist the programs of the San Diego Community College District in accordance with the mission, policies and priorities of the District as administered by the District Chancellor.

BOARD OF DIRECTORS

Dr. Anthony Beebe	Chair, President, Continuing Education
Roberta Alexander	Vice Chair, Academic Senate Representative, City College
Terry D. Davis	Secretary & Treasurer, Vice Chancellor, Business Services
Dr. Constance Carroll	Chancellor, San Diego Community College District
Dr. Terrence Burgess	President, City College
Dr. Rita Cepeda	President, Mesa College
Dr. Patricia Hsieh	President, Miramar College
Dr. Henry Ingle	Vice Chancellor, Instructional Services, Planning and Technology
Terrie Teegarden	Academic Senate Representative, Mesa College
Darrel Harrison	Academic Senate Representative, Miramar College
Ester Matthew	Academic Senate Representative, Continuing Education
Brittany Forester	Student Trustee Representative, Miramar College

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the San Diego Community College Auxiliary Organization
San Diego, California

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the San Diego Community College Auxiliary Organization (Organization), a component unit of the San Diego Community College District (District), as of and for the years ended June 30, 2008 and 2007, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States 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 audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Subsequent to the basic financial statements date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions which, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the Organization has not been informed and is not aware of any investment losses. Accordingly, investment losses, if any, have not been reflected in the accompanying basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis as listed in the table of contents, is not a required part of the basic financial statements but are required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Caporicci & Larson

San Diego, California
December 2, 2008

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San Diego Community College Auxiliary Organization

Management's Discussion & Analysis

June 30, 2008

This section of the San Diego Community College Auxiliary Organization's (Organization) financial statements present the analysis of the Organization's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the financial statements, which follow this section.

The Organization is comprised of two distinct operations. The Organization's general operations are supported by an annual allocation from the Organization's endowment trust. These funds are used for District and campus support activities. The Organization's Employee Training Institute (ETi) is an enterprise operation that generates revenues from offering training, fiscal agent, and contract education in the San Diego region. All expenses incurred by ETi must be covered by ETi generated income. The Organization's performance is judged solely on these two activities.

FINANCIAL HIGHLIGHTS

- The Organization's accrued liabilities increased by \$52,128 or 100.4% and accounts payable decreased by \$40,646 or 51.8%.
- Cash on hand at year end showed an increase of \$255,878; total asset increase from the prior year is \$32,625.
- The Organization's net assets increased \$58,355 or 12.6% during the course of the fiscal year ended June 30, 2008.
- There was a net gain of \$58,355 from operations in this fiscal year compared to a net loss in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The component unit financial statements include the Independent Auditors' Report, Management's Discussion and Analysis (MD&A) and financial statements with accompanying notes.

Operating activities and non-operating activities are presented separately on the Statement of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows are presented using the direct method.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Organization report information about the Organization using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The *Statements of Net Assets* include all of the Organization's assets and liabilities for the year ended June 30, 2008, and provide information about the nature and amounts of investments in resources (assets) and the obligation to the Organization's creditors (liabilities). They also provide the basis for computing rates of return, evaluating the capital structure and assessing the liquidity and financial flexibility of the Organization.

San Diego Community College Auxiliary Organization
Management's Discussion & Analysis
June 30, 2008

The *Statements of Revenues, Expenses and Changes in Net Assets* account for all of the Organization's revenues and expenses for the years ended June 30, 2008. These statements reflect the results of the Organization's operations over the years identified and can be used to determine the Organization's credit worthiness and its ability to successfully recover all its costs through service fees and other charges.

The *Statements of Cash Flows* are required to provide information about the Organization's cash receipts and cash payments during the year ended June 30, 2008. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities; and provide answers to the questions of where cash came from, what cash was used for and what the changes in cash were for the reporting periods covered.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

The following analysis focuses on the Organization's net assets (Table 1) and changes in net assets (Table 2) during the years ended June 30, 2008:

	2008	2007	\$ Variance	% Variance
ASSETS				
Cash and investments	\$ 858,203	\$ 732,805	\$ 125,398	17.11%
Other current assets	316,095	408,868	(92,773)	-22.69%
Total assets	<u>1,174,298</u>	<u>1,141,673</u>	<u>32,625</u>	<u>-5.58%</u>
LIABILITIES				
Current liabilities	651,021	676,751	(25,730)	-3.80%
Total liabilities	<u>651,021</u>	<u>676,751</u>	<u>(25,730)</u>	<u>-3.80%</u>
NET ASSETS				
Unrestricted	523,277	464,922	58,355	12.55%
Total net assets	<u>\$ 523,277</u>	<u>\$ 464,922</u>	<u>\$ 58,355</u>	<u>12.55%</u>

There are notable decreases in assets and liabilities. Under the accrual basis of accounting, expenses are recognized in the period in which they occur regardless of whether or not cash has been disbursed. Overall operating results for the year show a net increase to net assets by 12.55%.

San Diego Community College Auxiliary Organization
Management's Discussion & Analysis
June 30, 2008

Table 2
 Condensed Statement of Activities and Changes in Net Assets

	2008	2007	\$ Variance	% Variance
Revenues, gains and support	\$ 1,673,877	\$ 1,976,303	\$ (302,426)	-15.30%
Expenditures	1,652,547	2,068,086	(415,539)	-20.09%
Surplus before non-operating income	21,330	(91,783)	113,113	123.24%
Income from investments	37,025	38,300	(1,275)	-3.33%
Changes in net assets	58,355	(53,483)	111,838	209.11%
Beginning net assets	464,922	518,405	(53,483)	-10.32%
Ending net assets	\$ 523,277	\$ 464,922	\$ 58,355	12.55%

The Auxiliary realized a \$58,355 gain in net operating income. Both revenue and expenses decreased; however, expense decreases outpaced revenue decreases. Income from investments decreased 3%. The increase in net income is attributed to both the activities of General Operations and ETi. Revenue from the endowment trust's annual allocation increased by 38%. However, ETi program operations decreased significantly. The net operating and non-operating activities resulted in a total gain of \$58,355.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Over the course of the next year, it is important to note several key factors in the Organization's operation:

- Endowment Trust income for 2009 is expected to decrease over 2008 due to lower interest rates and fund investment returns.
- ETi operations have shown a significant decrease and during the 2009 operating year we expect the activity to continue to decrease. This is mainly due to the transfer of its operations to a separate foundation that will be established under Continuing Education.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report was designed to provide a general overview of the Organization's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Vice Chancellor, Business Services, San Diego Community College District, 3375 Camino del Rio South, Room 210, San Diego, CA 92108.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

General Operating Fund - Transactions that are not covered in a specific fund and relate in general to the full scope of operations of the Organization are presented in the general operating fund. Revenue includes endowment trust income allocations, investment income and administrative fee from fiduciary (trust) fund maintenance.

Enterprise Activity Fund - Revenue and expenditures of the revenue-producing activities, primarily activities of the Employee Training Institute, are presented in the enterprise activity fund.

San Diego Community College Auxiliary Organization

Statements of Net Assets

June 30, 2008 and 2007

	2008			2007		
	General	Enterprise	Total	General	Enterprise	Total
	Operating Fund	Activity Fund		Operating Fund	Activity Fund	
ASSETS						
Cash	\$ 380,806	\$ -	\$ 380,806	\$ 124,928	\$ -	\$ 124,928
Investments	477,397	-	477,397	607,877	-	607,877
Accounts receivable	804	243,737	244,541	872	294,856	295,728
Due from other funds	68,418	-	68,418	109,154	-	109,154
Deposits and prepaid items	3,116	20	3,136	3,986	-	3,986
Total assets	930,541	243,757	1,174,298	846,817	294,856	1,141,673
LIABILITIES						
Accounts payable	9,150	28,600	37,750	5,033	73,362	78,395
Accrued liabilities	1,181	102,858	104,039	2,071	49,840	51,911
Due to other funds	-	68,418	68,418	-	109,154	109,154
Deposits held for others	373,127	798	373,925	338,292	48,820	387,112
Deferred income	23,806	43,083	66,889	36,499	13,680	50,179
Total liabilities	407,264	243,757	651,021	381,895	294,856	676,751
NET ASSETS						
Unrestricted	523,277	-	523,277	464,922	-	464,922
Total net assets	\$ 523,277	\$ -	\$ 523,277	\$ 464,922	\$ -	\$ 464,922

See accompanying notes to basic financial statements.

San Diego Community College Auxiliary Organization
Statements of Activities and Changes in Net Assets
For the years ended June 30, 2008 and 2007

	2008			2007		
	General	Enterprise	Total	General	Enterprise	Total
	Operating	Activity		Operating	Activity	
Fund	Fund		Fund	Fund		
REVENUES, GAINS AND SUPPORT:						
Project income	\$ -	\$ 1,352,893	\$ 1,352,893	\$ -	\$ 1,728,799	\$ 1,728,799
Endowment trust income	268,185	-	268,185	193,839	-	193,839
Income from investments:						
Interest	22,907	-	22,907	23,955	-	23,955
Dividends	14,118	-	14,118	14,345	-	14,345
Other income	39,499	13,300	52,799	53,653	12	53,665
Total revenue, gains and support	344,709	1,366,193	1,710,902	285,792	1,728,811	2,014,603
EXPENDITURES AND DEDUCTIONS:						
Salaries and wages	11,931	955,440	967,371	23,690	1,081,795	1,105,485
Contract services and operating expenses	10,770	191,523	202,293	17,385	320,198	337,583
Employee benefits and payroll taxes	4,688	192,194	196,882	9,405	238,054	247,459
District, campus and support	258,693	-	258,693	294,300	7,839	302,139
Supplies, materials and minor equipment	272	27,036	27,308	251	75,169	75,420
Total expenditures and deductions	286,354	1,366,193	1,652,547	345,031	1,723,055	2,068,086
REVENUES, GAINS AND SUPPORT OVER (UNDER) EXPENDITURES AND DEDUCTIONS	58,355	-	58,355	(59,239)	5,756	(53,483)
TRANSFERS:						
Transfers in	-	-	-	5,756	-	5,756
Transfers out	-	-	-	-	(5,756)	(5,756)
Total transfers	-	-	-	5,756	(5,756)	-
Change in net assets	58,355	-	58,355	(53,483)	-	(53,483)
NET ASSETS:						
Beginning of year	464,922	-	464,922	518,405	-	518,405
End of year	\$ 523,277	\$ -	\$ 523,277	\$ 464,922	\$ -	\$ 464,922

See accompanying notes to basic financial statements.

San Diego Community College Auxiliary Organization

Statements of Cash Flows

For the years ended June 30, 2008 and 2007

	2008			2007		
	General Operating Fund	Enterprise Activity Fund	Total	General Operating Fund	Enterprise Activity Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Project charges	\$ -	\$ 1,405,979	\$ 1,405,979	\$ -	\$ 1,679,368	\$ 1,679,368
Endowment trust income and other operating receipts	372,820	-	372,820	314,261	-	314,261
Cash paid to employees	(17,509)	(1,094,616)	(1,112,125)	(31,046)	(1,292,871)	(1,323,917)
Cash received from (paid to) others	34,835	(48,022)	(13,187)	35,467	(2,515)	32,952
Cash paid to suppliers	(10,172)	(263,341)	(273,513)	(21,622)	(370,387)	(392,009)
Cash support provided to district and campuses	(254,576)	-	(254,576)	(289,267)	(7,839)	(297,106)
Net cash provided (used) by operating activities	125,398	-	125,398	7,793	5,756	13,549
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in	-	-	-	5,756	-	5,756
Transfers out	-	-	-	-	(5,756)	(5,756)
Net cash provided (used) by noncapital financing activities	-	-	-	5,756	(5,756)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Sale of preferred stocks	100,076	-	100,076	-	-	-
Investments income	30,404	-	30,404	(30,127)	-	(30,127)
Net cash provided (used) by investing activities	130,480	-	130,480	(30,127)	-	(30,127)
Net increase (decrease) in cash	255,878	-	255,878	(16,578)	-	(16,578)
CASH:						
Beginning of year	124,928	-	124,928	141,506	-	141,506
End of year	\$ 380,806	\$ -	\$ 380,806	\$ 124,928	\$ -	\$ 124,928
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Revenues, gains and support over (under) expenditures and deductions	\$ 58,355	\$ -	\$ 58,355	\$ (59,239)	\$ 5,756	\$ (53,483)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:						
(Increase) decrease in:						
Accounts receivable	68	51,119	51,187	5,584	(13,560)	(7,976)
Due from other funds	40,736	-	40,736	37,037	-	37,037
Deposits and prepaid expenses	870	(20)	850	(3,986)	9,781	5,795
Increase (decrease) in:						
Accounts payable	4,117	(44,762)	(40,645)	5,033	15,199	20,232
Accrued liabilities	(890)	53,018	52,128	2,049	26,978	29,027
Due to other funds	-	(40,736)	(40,736)	-	(37,037)	(37,037)
Deposits held for others	34,835	(48,022)	(13,187)	35,467	(2,515)	32,952
Deferred income	(12,693)	29,403	16,710	(14,152)	1,154	(12,998)
Net cash provided (used) by operating activities	\$ 125,398	\$ -	\$ 125,398	\$ 7,793	\$ 5,756	\$ 13,549

See accompanying notes to basic financial statements.

San Diego Community College Auxiliary Organization

Notes to Basic Financial Statements

For the years ended June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Diego Community College Auxiliary Organization (Organization) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standard Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Organization's accounting policies are described below.

A. Description of the Reporting Entity

The Organization was formed pursuant to the general not-for-profit corporation laws of the State of California as an auxiliary organization of the San Diego Community College District (District) in accordance with the provisions of §72670 of the California Education Code for the primary purpose of promoting and assisting the programs of the District. The Organization also provides fee based training and education programs for various public and private agencies.

The Organization has its own Board of Directors composed of District faculty and administrators; however, the District maintains oversight responsibility for the Organization as carried out by the District Chancellor in accordance with the provisions of §72670 of the California Education Code. Since the District significantly influences its operations, the Organization's financial statements are included in the District's financial statements as a blended component unit. Should the Organization be dissolved, its assets remaining after payment of liabilities shall be distributed to the District.

B. Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The Organization's Government-Wide Financial Statements include a Statement of Net Assets, a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Activities and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

C. Income Taxes

The Organization is exempt from Federal and California income taxes as a not-for-profit organization. The Organization is exempt under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701(d).

San Diego Community College Auxiliary Organization
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

E. Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, investments should be stated at fair value. The Organization reported its investments at fair value.

F. Endowment Trust Income

The Organization receives an annual allocation as beneficiary of fifty percent of the annual earnings of the San Diego Community College District Endowment Trust valued at approximately \$19,568,000 and \$20,374,000 as of June 30, 2008 and 2007, respectively. The Trust is managed by a bank and reviewed by an independent advisory council appointed by the District Board of Trustees.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Reclassifications

Certain prior year amounts may have been reclassified to conform to current year financial statement presentation.

2. CASH AND INVESTMENTS

A. Cash and Cash Equivalents

At June 30, 2008, and 2007 the carrying amount of the Organization's cash and cash equivalents, net of outstanding checks, was \$380,806 and \$124,928, respectively, while the related total bank balance, per the financial institutions, was \$314,763 and \$366,657, respectively. Of the bank balance per the financial institution, \$100,000 and \$100,000, respectively, was covered by federal depository insurance and \$214,763 and \$266,657, respectively, was uninsured. Total cash and investments at June 30 were as follows:

	2008	2007
Cash	\$ 380,806	\$ 124,928
Investments	477,397	607,877
Total	\$ 858,203	\$ 732,805

San Diego Community College Auxiliary Organization
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2008 and 2007

2. CASH AND INVESTMENTS, Continued

B. Investments

The Organization had the following investments at June 30:

Investment Type	2008 Fair Value	2007 Fair Value
Preferred Stocks	\$ 50,000	\$ -
Annuity	12,512	14,245
Money Market Funds	263,509	395,133
Certificates of Deposit	151,376	198,499
Total	\$ 477,397	\$ 607,877

Credit Risk

The Organization's investments are not rated by the nationally recognized statistical rating organizations as follows:

	Moody's	Standard & Poor's
Preferred Stocks:		
Calamos Strategic Total Return	Not Rated	AAA
Annuity	Not Rated	Not Rated
Money Market Funds	Not Rated	Not Rated
Certificates of Deposit	Not Rated	Not Rated

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2008	2007
San Diego Unified School District	\$ 201,844	\$ 121,686
Other public and private agencies	42,697	174,042
Total receivable	\$ 244,541	\$ 295,728

San Diego Community College Auxiliary Organization
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2008 and 2007

4. INTERFUND TRANSACTION

Due To and From Other Funds

The Organization had the following short-term interfund receivables and payables at June 30:

		Due from other fund	
		2008	2007
		General Fund	
Due to other fund	Enterprise Fund	\$ 68,418	\$ 109,154

Transfers In and Out

The Organization had the following transfers at June 30:

		Transfers In	
		2008	2007
		General Fund	
Transfers Out	Enterprise Fund	\$ -	\$ 5,756

5. RELATED PARTY TRANSACTIONS

The Organization's administrative functions are shared by employees of the District. Donations are made by the Organization's Board members, and employees of the District.

6. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; job-related illnesses or injuries to employees; and natural disasters. For workers' compensation, the Organization purchase insurance through State Fund. For general liabilities, the Organization is covered under the District's self-insurance program.

See the District's basic financial statements for disclosures related to risk management.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
of the San Diego Community College Auxiliary Organization
San Diego, California

We have audited the basic financial statements of the San Diego Community College Auxiliary Organization (Organization), a not-for-profit organization, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 2, 2008. We conducted our audits in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the basic financial statements of the Organization are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and administrative requirements governing activities of the Organization, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of control deficiencies, that adversely affects the Organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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

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San Diego, California 92111

To the Board of Directors
of the San Diego Community College Auxiliary Organization
San Diego, California
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, the Organization management 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.

Capricci & Carson

San Diego, California
December 2, 2008

San Diego Community College Auxiliary Organization
Schedule of Findings and Questioned Costs
For the year ended June 30, 2008

There were no findings or questioned costs related to the audit of the San Diego Community College District Auxiliary Organization Fund for the year ended June 30, 2008.

