COLLEGE OF THE CANYONS

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2004

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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COLLEGE OF THE CANYONS
26455 Rockwell Canyon Road, Santa Clarita, California 91355 • (661) 259-7800

December 17, 2004

TO WHOM IT MAY CONCERN:

The purpose of the annual audit is to determine the fairness of the presentation of the College's financial statements, as well as assess the systems and procedures of accounting utilized by the District, determine the degree to which the District complies with rules and regulations as set forth in State regulations and the Accounting Manual for California Community Colleges, and determine that the accountability and propriety of expenditures have been carried out in accordance with the above. The audit process is very important to us and helps us improve the District's business procedures and accountability mechanisms.

I have reviewed the audit for the Santa Clarita Community College District, which reported no findings representing reportable conditions, material weaknesses and/or instances of non-compliance. The 2004 audit confirms and reaffirms the high level of fiscal stability in the Santa Clarita Community College District and attests to our compliance with appropriate accounting procedures and controls. Due to the District's commitment to sound risk management practices as well as our ability to plan ahead, the audit reaffirms our ability to deal with the state's unstable funding mechanism, anticipate existing/future liabilities, respond successfully to opportunities and challenges presented by our college's and community's growth, and commit to expand access to the students and businesses in our service area. All previous management letter recommendations, except one, received a response prior to June 30th. The remaining recommendation has been addressed in an updated management letter and an acceptable remedy is being put in place.

In 2003-04, we were ranked as the second fastest growing of the seventy-two community college districts in the State and the same is true for 2004-05. In the December 6, 2004 edition of Community College Week, the Santa Clarita Community College District was ranked the 8th fastest growing community college district in the nation and the first in the State of California. Between 1995-1996 and the present the college planned for and successfully accomplished growth in staff, students, programs, and faculty; and developed plans for the future and emerged as an innovator in the State of California.

- We have continued to expand our curriculum and programs to meet the needs of emerging and developing industries and our students. We have:
  - ✓ expanded access via increasing sections for students by close to 150%;
  - ✓ increased majors of study from 22 to 50 plus;
  - ✓ added thirty (eighteen to twenty-four unit) certificate programs;
  - ✓ expanded access via responding to needs for teachers and nurses in amazing ways;
  - ✓ increased fulltime faculty members by 160% (from 62 to 162)
  - ✓ grown certificate/workforce training immensely, from 16 to 59 options and our training partnerships with businesses from 0 to over 300 initiatives;
  - ✓ developed partnerships and now have programs and services being offered in conjunction with over 75 entities.

- We have added state-of-the-art training programs in areas relevant to our region's economic growth and development by:
  - ✓ opening our new Performing Arts Center,
  - ✓ establishing the Academy of the Canyons, a middle college high school,
  - ✓ establishing a Manufacturing Education Center with eight major aerospace companies;
  - ✓ developing a regional nursing collaborative, a partnership with four colleges and five hospitals
  - ✓ increasing our annual grant/Foundation revenue received from $50,000 per year to over $3 million this past year because of our partnerships; and
  - ✓ growing our external training revenue (state and federal sources) from zero to over $2.5 million per year, which helps to revitalize business and stabilize/strengthen the economy.

- Our ability to build relevant and creative partnerships has enhanced our fiscal base resulting in an expansion of student access, support, outreach, and service to our community. We have:
  - ✓ developed a proposal for and are hosting a middle college high school on our campus;
  - ✓ developed a new Educational and Facilities Master Plan;
  - ✓ passed a bond measure in 2000;
  - ✓ established a Canyon Country Access Center in 2001, which serves one of the most economically diverse areas in the Santa Clarita Valley;
  - ✓ received close to $5,000,000 to assist in retraining engineers to move into biotech/biomed industry;
  - ✓ raised funds to build a permanent University Center on campus to offer access to upper division and graduate school curriculum; and
  - ✓ increased the number of courses taught online from 1 in 1999 to 38 today.

Our fiscal stability and planning enable us to work with community partners in a forward-thinking manner to anticipate and prepare for future demands in our local economy.

The lack of findings contained in this audit report reinforces the District's consistent practice of complying with general accounting standards, anticipating new requirements, and maintaining adequate internal budget controls. As a result, we have been able to safeguard the assets of the District. The responses to remedy the management letter recommendations for this past year have been agreed to by the auditors and are being implemented by College staff. By implementing these recommendations, the internal procedures and risk management practices of the District are getting stronger. We always commit to regularly assessing and strengthening our processes as needed to help us maintain fiscal integrity, program integrity, and compliance with state and federal regulations.

In summary, the District:

- functions pursuant to all statutory requirements of the State and our Board policies;
- has been prudent in the expenditure of funds;
- is serving the educational needs of the State and community in an exemplary manner;
- has anticipated and planned for the need for expanded access; and
- has developed a budget plan that supports enrollment management; growth of our fiscal resources; professional development of our most important resource, our faculty and staff; and fiscal stability both now and in the future.

We are at a new stage of the life of the College as we now look to:

- Complete the physical build out of the Valencia Campus of College of the Canyons by 2010;
- Develop and open a permanent Educational Center in Canyon Country in 2006-07;
- Break ground on the University Center at College of the Canyons in 2006-07; and
- Add faculty and initiate new curriculum, technology, programs, and partnerships to enable us to work to meet our community's needs.

As we move forward with action plans to achieve our Strategic Goals for the year 2004-05 and beyond, we reaffirm out commitment to serving our community with the same high standards, quality educational programs, and innovative partnerships that have formed the foundation of record that College of the Canyons has been proud of for thirty-five years in the Santa Clarita Valley.

Sincerely,

Dr. Dianne G. Van Hook

Dr. Dianne G. Van Hook
Superintendent-President

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Santa Clarita Community College District
Santa Clarita, California

We have audited the accompanying basic financial statements of the Santa Clarita Community College District (the District) as of and for the years ended June 30, 2004 and 2003, and its discretely presented component unit, College of the Canyons Foundation, as listed in the table of contents. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Clarita Community College District and its discretely presented component unit, College of the Canyons Foundation, as of June 30, 2004 and 2003, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, consisting 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 it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of or 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.

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As discussed in Note 1B to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units,* during the year ended June 30, 2004.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 21, 2004

COLLEGE OF THE CANYONS
26455 Rockwell Canyon Road, Santa Clarita, California 91355 • (661) 259-7800

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which established a new reporting format for annual financial statements of governmental entities. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies these new reporting standards to public colleges and universities such as the Santa Clarita Community College District (the District). For the District, GASB Statement No. 35 implementation was required by June 30, 2003.

As a result of GASB Statement No. 35, since fiscal year 2002-2003, the District's audited financial statements include:

1) A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.

2) Financial statements prepared using full accrual accounting for all of the District's activities.

3) Financial statements that reflect the entity-wide financial picture as opposed to individual fund financial statements.

The following provides an overview of the District's financial activity. Responsibility for the completeness and fairness of this information rests with the District. Since this is the second year of the new GASB Statement No. 35 reporting requirements, the audited financial statements are being presented in a comparative format, with data for both June 30, 2003 and June 30, 2004, included for review.

USING THIS ANNUAL REPORT

The annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets is designed to be similar to the bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. This new entity-wide statement replaces the old balance sheet format, which reported each fund's ending fund balance in a separate column. The new entity-wide Statement of Net Assets reports the grand total of all funds' ending fund balances, but goes further to also incorporate the following items, through manual entries, that were never included in the old balance sheet format by:

- **Adding Capital Assets (Land, Buildings, Construction in Progress, and Equipment)** less accumulated depreciation.
- **Subtracting All District Debt,** including General Obligation Bonds, Lease Revenue Bonds, Certificates of Participation, notes payable, capital leases, early retirement plans, and compensated absences.
- **Subtracting Trust and Agency Funds (Funds Held for Others)** This means subtracting the Associated Student Government funds, as well as the retiree health and welfare funds accumulated.
- **Subtracting Accumulated Interest Expense on Debt Service** which has not been billed to the District yet, but which we have accumulated as of June 30, 2004, as a pending debt.

The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by State and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public.

The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

FINANCIAL HIGHLIGHTS

The following information provides additional analysis of specific components of the current year operations:

- The assets of the Santa Clarita Community College District exceeded its liabilities by $28,850,307 (net assets). Of this amount, $1,323,827 is restricted for capital projects expenditures since this amount represents the ending fund balances in the District's capital funds as of June 30, 2004 (except General Obligation Bond Funds). Also, $2,828,518 is restricted for debt service expenditures since this amount represents the ending fund balances in the District's two debt service funds (one used for general obligation bond repayments and the second used for all other debt repayment).

- The District's primary funding source is "Program-Based Funding" received from the State of California through the Chancellor's Office. Program-Based Funding is comprised of State apportionment, local property taxes, and student enrollment fees. A major component of this apportionment funding mechanism is the calculation of Full-Time Equivalent Students (FTES). During the 2003-2004 fiscal year, the District's actual FTES were comprised of 10,710.92 credit FTES and 139.69 non-credit FTES as reported on the P2 Funding Statement. The State funded 10,564.41 credit FTES and 139.69 non-credit FTES at P2. These FTES were generated primarily at the District's Main Campus and the Canyon Country Access Center.

- Although our approved growth rate for fiscal year 2003-2004 was 12.22 percent, the State was forced to deficit our growth rate down to 7.59 percent (using a deficit factor of .6213945) at P2 due to the system-wide actual demand for growth dollars far exceeding the statewide budget allocation for growth. Still, growth remains an important variable in the District's ability, over time, to implement important programs and directives.

- The District ended the year with an Unrestricted General Fund balance of $2,861,456 (6.16 percent of General Fund unrestricted expenditures), which meets the State Chancellor's Office guidelines of at least five percent of the General Fund unrestricted expenditures.

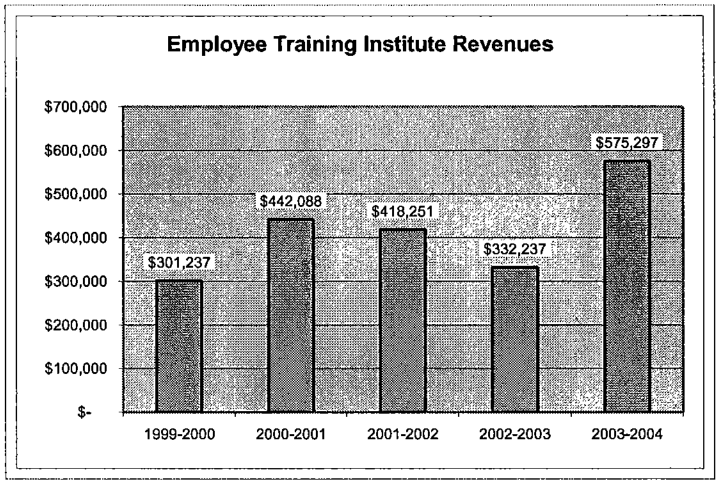
- The primary operating expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative District employees. These costs increased in 2003-2004 over 2002-2003 by a net of approximately 5.12 percent. This increase was mainly due to step and column increases, as well as increases in benefit costs for health and welfare, PERS retirement, workers' compensation, and State unemployment insurance.

- The District continued to plan, construct, and upgrade facilities in fiscal year 2003-2004:

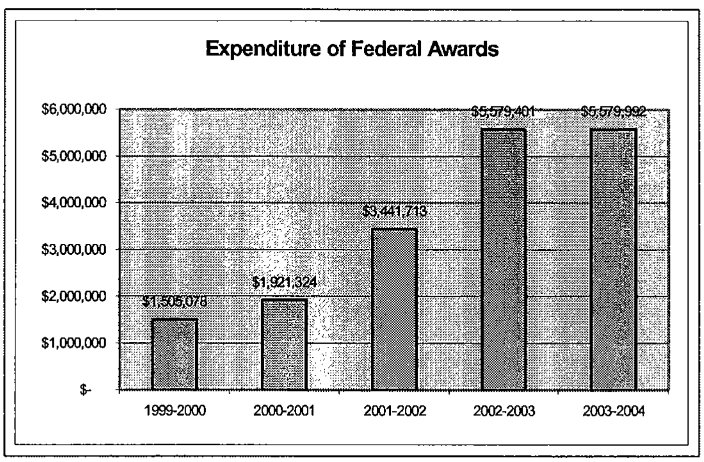
  - Many of these projects were funded through General Obligation Bonds, authorized in an election held on November 6, 2001, which authorized the issuance of $82,110,000 of general obligation bonds.
  - The first issuance of the bonds occurred in May 2002 in the amount of $21,625,000, with bond proceeds carrying over and continuing to be spent in fiscal year 2003-2004.
  - The second issuance of bonds occurred in August 2003, in the amount of $17,498,982.
  - The State of California continued to fund 50 percent of pre-approved Scheduled Maintenance projects listed in our 2000-2001, 2001-2002, and 2002-2003 allocations (the District has three years to spend each allocation). The state also funded a large portion of the new Performing Arts Center, with almost $5 million paid to the District in 2003-2004 for construction and equipment reimbursement.
  - Projects funded from various revenue sources during the 2003-2004 fiscal year include:
    - ✓ Performing Arts Center
    - ✓ Music/Dance Building
    - ✓ Classroom/High Tech Lab Center
    - ✓ Warehouse Addition
    - ✓ Science Laboratory Expansion
    - ✓ Scheduled Maintenance Projects
    - ✓ Stadium Restroom Remodel
    - ✓ Track Resurfacing
    - ✓ Campus Map Kiosks
    - ✓ Canyon Country Education Center
    - ✓ Seismic Retrofit of "I" Building

- The District offered student financial aid in the form of Pell Grants, SEOG Grants, and Cal Grants in the amount of $2,728,955. This represented an increase of 7.4 percent over the 2002-2003 fiscal year. The District also offered qualifying students paid Federal Work Study opportunities; students earned $124,037 in fiscal year 2003-2004.

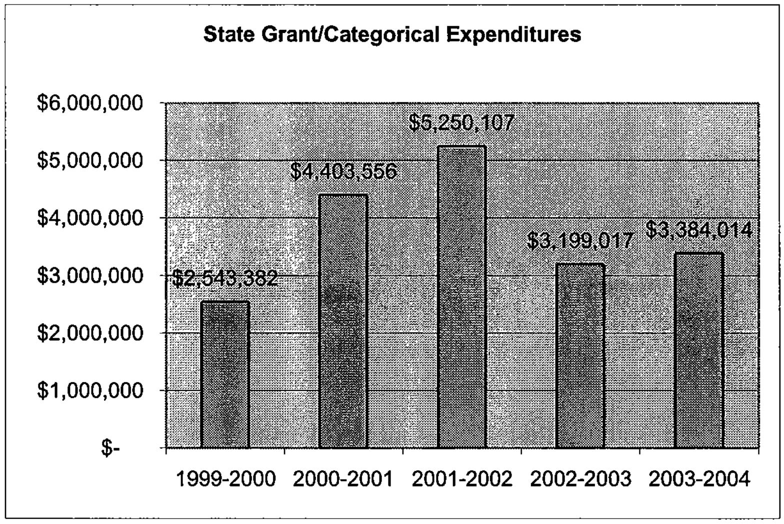
- The Employee Training Institute continued to offer exemplary customized training to area businesses. The Employee Training Institute strives to improve the economic development of our community through such specialized training as Supply Chain Management and Six Sigma Training. Fiscal year 2003-2004 was highlighted by new partnerships with VIA and PIHRA for seminar production, and a new partnership with the Chamber of Commerce for the Leadership SCV program. In fiscal year 2003-2004 the Employee Training Institute's income from contract education totaled $81,766, and their income from Employment Training Panel (ETP) sponsored training totaled $493,530, for a grand total of $575,296 in Employee Training Institute revenues. These numbers reflect a 73 percent increase over 2002-2003 Employee Training Institute revenue. This unparalleled success in 2003-2004 allowed the Employee Training Institute to end the year with a fund balance of over $150,000. In 2004-2005, the addition of a new Project Manager and a new Service Specialist will further expand the Institute's capabilities. In addition, the State grant funded Center for Applied Competitive Technology (CACT) had revenue and expenditures of $169,930.



- Federal grant program income and expenditures for fiscal year 2003-2004 totaled $5,579,992. Compared to Federal grant/categorical expenditures for fiscal year 2002-2003, this represents an increase of $591. Federal student financial aid in the form of Pell and SEOG grants, along with Federal Student Loans, increased 7.7 percent in 2003-2004; offset by decreases in the University Center funding and the completion of the Incumbent/Dislocated Worker Sub-Award with Antelope Valley College. Over the last five years, expenditures of Federal Awards have increased over 270 percent, and will continue to increase substantially as we welcome the addition of a new five-year Title III grant beginning in 2004-2005 totaling $1,822,140.



- State grant/categorical expenditures for fiscal year 2003-2004 totaled $3,384,014. Compared to State grant/categorical expenditures for fiscal year 2002-2003, this represents an increase of $184,997 (5.8 percent). This increase is attributable to increased funding in Matriculation, Associate Degree Nursing Program, Board Financial Assistance Program, offset by a lower TTIP allocation (due to State consolidation) and the elimination of the Teacher Reading Development Program allocation. Over the last five years, expenditures of State grant/categorical funds have increased 33 percent. The chart at the right illustrates the impact of the 2002-2003 State-wide budget cuts to State grant and categorical programs, and shows a slight recovery in funding levels in 2003-2004.



CONDENSED FINANCIAL INFORMATION

Condensed Financial Information is as follows: (in thousands)

NET ASSETS
As of June 30,

	2004	2003
ASSETS		
Current Assets		
Cash and investments	$ 40,835	$ 35,029
Accounts receivable	4,603	4,601
Other current assets	276	234
Total Current Assets	45,714	39,864
Capital Assets (net)	49,307	38,330
Total Assets	$ 95,021	$ 78,194
LIABILITIES		
Current Liabilities		
Accounts payable and accrued interest payable	$ 8,414	$ 7,466
Current loans	-	4,145
Deferred revenue	858	2,882
Amounts held in trust for others	1,078	889
Current portion of long-term debt	3,069	2,320
Total Current Liabilities	13,419	17,702
Long-term Debt	52,752	37,322
Total Liabilities	66,171	55,024
NET ASSETS		
Invested in capital assets	22,108	16,247
Restricted	4,152	4,714
Unrestricted	2,590	2,209
Total Net Assets	28,850	23,170
Total Liabilities and Net Assets	$ 95,021	$ 78,194

Capital assets, net of depreciation, is the net historical value (original cost) of land, buildings, construction in progress, and equipment less accumulated depreciation. Capital assets increased approximately $11,000,000 due to the projects funded by the general obligation bonds.

Long-term debt consists primarily of the general obligation bonds issues, 1999-2000 lease revenue bonds issue, and the 2001 certificates of participation issue. Long-term debt increased approximately $16,000,000 due to the second issuance of the general obligation bond.

OPERATING RESULTS
For the Year Ended June 30,

	2004	2003
Operating Revenues		
Tuition and fees	$ 6,016	$ 4,160
Grants and contracts	15,413	15,224
Total Operating Revenues	21,429	19,384
Operating Expenses		
Salaries and benefits	41,855	39,594
Supplies and maintenance	14,265	12,437
Depreciation	1,351	1,026
Total Operating Expenses	57,471	53,057
Loss on Operations	(36,042)	(33,673)
Nonoperating Revenues		
State apportionments	20,406	21,397
Property taxes	19,153	16,824
State revenues	1,551	1,469
Net interest expense	(2,107)	(2,056)
Investment income	527	677
Loss on disposal of capital assets	(120)	-
Other nonoperating revenues and transfers	2,236	3,144
Total Nonoperating Revenue	41,646	41,455
Other Revenues		
State, and local capital income	76	1,268
Net Increase in Net Assets	$ 5,680	$ 9,050

STATEMENT OF CASH FLOWS
For the Year Ended June 30,

	2004	2003
Cash Provided by (Used in)		
Operating activities	$ (37,311)	$ (32,333)
Noncapital financing activities	41,737	42,381
Capital financing activities	882	(8,271)
Investing activities	5,934	(1,817)
Net Increase (Decrease) in Cash	11,242	(40)
Cash, Beginning of Year	28,396	28,436
Cash, End of Year	$ 39,638	$ 28,396

UNRESTRICTED GENERAL FUND – SELECTED FINANCIAL INFORMATION

REVENUES

The District's major sources of unrestricted revenue include State apportionment, enrollment growth, property taxes, lottery proceeds, Partnership for Excellence, and student enrollment fees.

The apportionment component normally includes a base revenue allocation, an inflation adjustment (COLA), and growth revenues. In 2003-2004, a COLA allocation was not part of the approved State budget, so the District did not receive a COLA allocation. State apportionment, property taxes, and enrollment fees are commonly referred to as District General Revenues and form the "base revenue" to which the adjustments for COLA, enrollment and maintenance and operations growth, program improvement, growth restoration, and any applicable deficit factor is applied. Adjustment to the "base revenue" are typically calculated twice each fiscal year and distributed through the First Principal Apportionment Statement (P1) in mid February and the Second Principal Apportionment Statement (P2) in early June of each fiscal year. Also, in the subsequent fiscal year, a recalculation and adjustment of the prior fiscal year's funding is received in February.

Revenues in the Unrestricted General Fund totaled $46,756,246 in fiscal year 2003-2004. This is an increase of $2,667,247, or 6.05 percent, over the prior year's revenues. Many key factors contributed to this increase in unrestricted revenue, including the following:

- The Base Revenue Component was increased by $3,419,336 in 2003-2004, due to growth funding from 2002-2003 rolling into the base.

- Other State Revenues increased by $508,015, primarily due to the District qualifying for basic skills funding in 2003-2004 due to unfunded FTES growth, where we did not earn basic skills funding in 2002-2003.

- Increases in indirect support from grants, other local revenues, rents and leases, lottery revenues, and Federal revenues, offset by a small decrease in out of State/International tuition, totaled $402,515.

- An increase in Community Extension revenues, due mainly to their new Summer Sports program (formerly handled by the Instruction Office) of $324,417.

- Growth funding for 2003-2004 decreased $1,058,738 compared to 2002-2003. This decrease was due to two factors: 1) For 2002-2003, the District's approved growth rate was 14.22 percent; for 2003-2004, it was 12.22 percent. 2) For 2002-2003, the State deficit funded growth to 75 cents on the dollar; for 2003-2004 the State deficit funded growth to only 62 cents on the dollar.

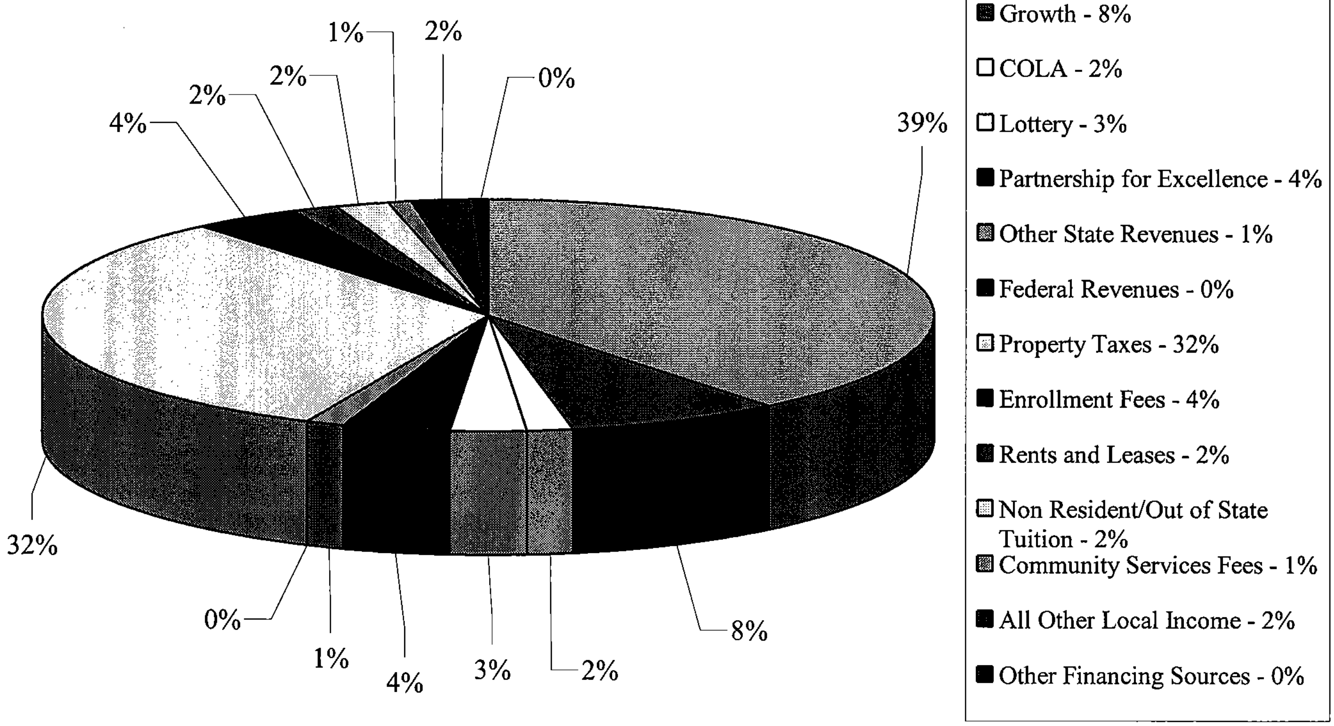
- COLA was not awarded in 2003-2004, compared to the $676,873 received in 2002-2003.

- Partnership for Excellence funding was decreased by $251,425 in fiscal year 2003-2004 as a result of Statewide budget cuts made to the allocation.

Unrestricted General Fund Revenues by Major Category

	2003-2004	2002-2003
General Apportionment	$ 17,411,455	$ 17,252,740
Growth	2,432,873	3,491,611
COLA	-	676,873
Lottery	1,263,782	1,251,276
Partnership for Excellence	1,488,348	1,739,773
Other State Revenues	1,077,185	569,170
Federal Revenues	22,655	16,531
Property Taxes	15,964,494	14,182,011
Enrollment Fees	3,262,648	1,784,510
Rents and Leases	770,479	685,459
Non Resident/Out of State Tuition	818,480	824,875
Community Services Fees	662,769	338,352
All Other Local Income	1,343,159	1,077,944
Other Financing Sources	237,919	197,874
Total Revenue	**$ 46,756,246**	**$ 44,088,999**

2003-2004 Unrestricted General Fund Revenues



The Role of Growth Revenues

Growth continues to be an important component of Unrestricted General Fund revenues. As illustrated by the chart below, the Chancellor's Office has been unable to fully fund the District's actual FTES growth in four of the five years illustrated. Still, growth dollars continue to assist the District in funding additional faculty and staff positions, serve as an additional source of funds to initiate new programs and services, and help absorb funding cuts without the significant reduction in sections or services that have occurred at other districts.

Summary of District Growth Rates

	2000-2001	2001-2002	2002-2003	2003-2004
Approved Growth Cap Percent	13.94%	11.50%	14.22%	12.22%
Percentage of FTES Growth Funded	15.53%	7.95%	11.02%	7.00%
Percentage of Actual FTES Growth	15.76%	13.35%	11.38%	8.46%
Total Enrollment Growth Paid by State	3,442,217	2,293,279	3,300,340	2,507,119
Total M & O Growth Paid by State	25,987	77,881	129,044	69,611
Percentage of FTES Growth Not Funded	0.23%	5.40%	0.36%	1.46%

EXPENDITURES

Expenditures in the Unrestricted General Fund totaled $46,417,424 in fiscal year 2003-2004, an increase of 6.25 percent over 2002-2003. The "Expenditure Highlights" below explain increases/decreases from 2002-2003 in noteworthy areas. The expenditure chart below presents a comparison of final expenditures by major category for 2002-2003 and 2003-2004 in the Unrestricted General Fund.

EXPENDITURE HIGHLIGHTS

- Salary expenses increased by less than one percent. This was due to increases from step and column advancements, reclassifications, and contract adjustments, offset by savings from vacant positions.

- Fringe benefit expenses increased overall by 23.8 percent as a result of rising retirement, workers' compensation, and health and welfare costs. Unfortunately, mandated increases in employee benefits expense, such as the increase in employer PERS contributions from 2.771 percent to 10.42 percent effective July 1, 2003, are not backfilled by the State. The District's health and welfare rates for Kaiser medical coverage increased over 17 percent in 2003-2004, and Health Net rates increased over three percent. Also, worker's compensation rates increased another 17.6 percent effective July 1, 2003.

- Discretionary expenses: supplies and materials, consultants and lecturers (includes instructional contracts), conference, travel, dues, and memberships increased by 80.2 percent. This was due to the increase in public safety class offerings in the Fire Technology and Administration of Justice areas, which in turn increased the District's contracted service costs by almost $2 million.

- Utilities expense increased 14.4 percent due to utility rate increases and increased usage brought on by new facilities coming on-line.

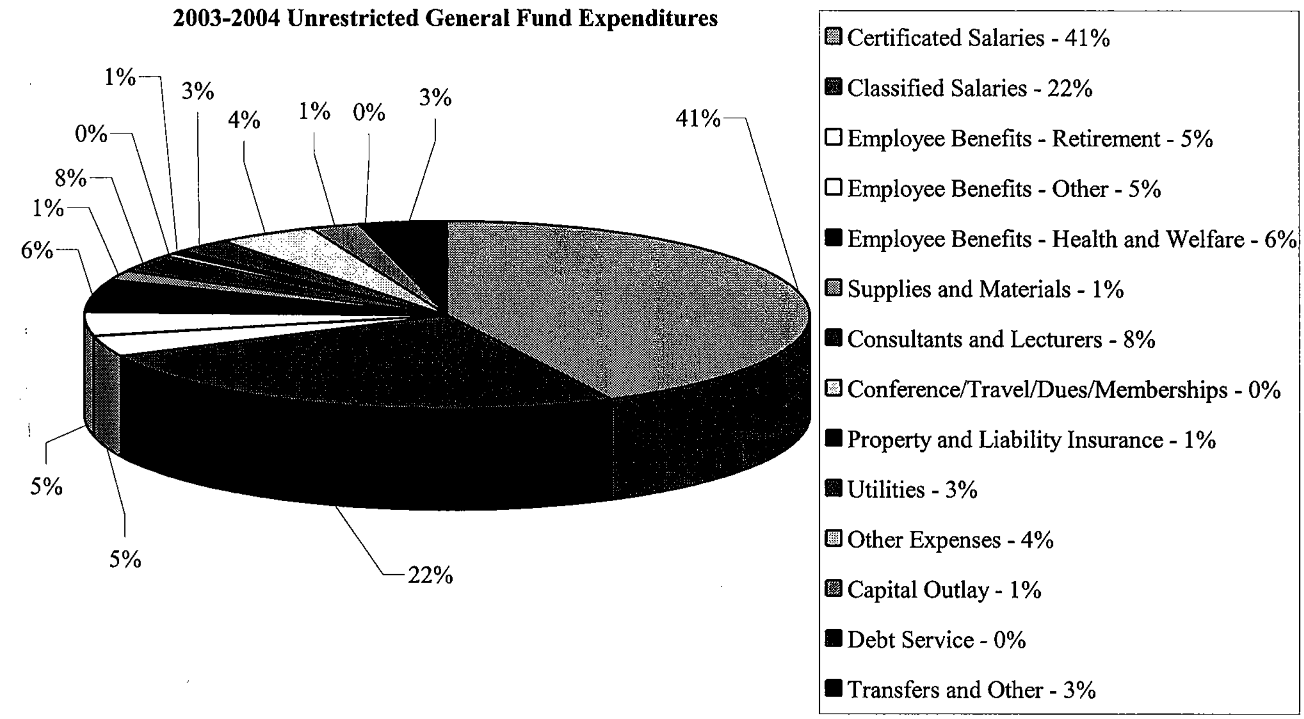
- Capital Outlay expenses for equipment, software, and library books and materials decreased 62.7 percent due to decreases in ongoing technology expenses and because the District utilized increased block grant money outside the General Fund to make instructional equipment capital purchases.

- Debt service decreased 73.6 percent. This is due to the fact that the final payment for the initial Datatel System purchase and the final payment for the Human Resources/Foundation modular building purchase occurred in 2002-2003 and these expenditures were no longer necessary in 2003-2004.

- Transfers and other expenses increased by 6.9 percent mainly due to planned increases in our debt service schedules for repayment of Lease Revenue Bonds and Certificates of Participation, and due to our first annual contribution to a sinking fund for field turf surface component replacement (Hart District is also contributing yearly to this sinking fund).

Unrestricted General Fund Expenditures by Major Category

	2003-2004	**2002-2003**
Certificated Salaries	$ 19,294,428	$ 18,585,584
Classified Salaries	10,490,727	10,968,187
Employee Benefits - Retirement	2,375,832	1,591,684
Employee Benefits - Other	2,231,665	1,826,642
Employee Benefits - Health and Welfare	2,694,485	2,477,382
Supplies and Materials	390,366	662,037
Consultants and Lecturers	3,590,385	1,433,781
Conference/Travel/Dues/Memberships	135,941	188,512
Property and Liability Insurance	310,038	260,488
Utilities	1,267,237	1,107,437
Other Expenses	1,685,421	1,916,376
Capital Outlay	348,588	933,688
Debt Service	83,725	316,955
Transfers and Other	1,518,586	1,420,217
Total Expenses	**$ 46,417,424**	**$ 43,688,970**



FUND BALANCE AND FUND BALANCE CLASSIFICATIONS

Ending Fund Balance and Fund Balance Classifications
Unrestricted General Fund

	2003-2004	2002-2003
Reserved	$ 290,065	$ 251,716
Undesignated	2,571,391	2,270,918
Ending Fund Balance	**$ 2,861,456**	**$ 2,522,634**

- The ending fund balance for the Unrestricted General Fund as of June 30, 2004, is $2,861,456. This ending balance can be further analyzed to determine if any of these funds are "reserved" due to a commitment made by the District's Governing Board prior to June 30, 2004. The reserved portion of the ending fund balance is $290,065, and consists of two components:

1. The $20,000 Revolving Cash Account. This account is designated by Board action/approval for the purpose of emergency cash disbursements.

2. Board authorized pre-paid expenses totaling $270,065. The District pre-paid insurance premiums and memberships in the last few months of the 2003-2004 fiscal year in order to comply with vendor's payment deadlines and to ensure uninterrupted coverage. These expenses will be deducted from 2004-2005 budget funds, and are shown on the 2003-2004 financial statements as "reserved" at June 30, 2004 due to the Board approved commitments.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE SANTA CLARITA COMMUNITY COLLEGE DISTRICT

State Economy and State Apportionment Funding

The economic position of the Santa Clarita Community College District is closely tied to the State of California's economic recovery as State apportionments and property taxes allocated to the District represent approximately 71 percent of the Unrestricted General Fund resources of the District. The 2004-2005 Community College System Budget was a welcome improvement over 2003-2004 funding levels. Looking forward to 2005-2006, the latest report issued by the Legislative Analyst's Office (November 2004) indicates that State revenues are up, but notes that California continues to face a challenging structural problem in terms of its finances. Projected Statewide operating shortfalls of $7.3 billion for 2005-2006 will certainly affect Community College System funding in 2005-2006 and beyond.

The 2004-2005 System Budget

The 2004-2005 System Budget for the California Community Colleges, with the exception of a "surprise" veto of $31.4 million of Partnership for Excellence funding and a sharp increase in student enrollment fees, generally reflected the System's recommendations for funding.

The final 2004-2005 Budget Legislation included the following:

- Full base revenue - including a $200 million deferral to July 2005 (Not a cut)
- 2.41 percent COLA for general apportionments and selected categorical programs
- 3 percent system-wide enrollment growth
- An additional $27 million for enrollment growth for previously under funded Districts (Must be earned in 2004-2005 through additional FTES)
- $80 million for Equalization Funding
- ($31.4) million reduction due to the veto of Partnership for Excellence funds
- Student enrollment fee increased from $18/unit to $26/unit effective Fall 2004
- Community College share of Prop 98 funds is estimated to be 10.25 percent, a welcome increase to the 9.51 percent share in 2003-2004, but still well below the 10.93 percent statutory minimum

The Santa Clarita Community College District continues to take strategic actions in 2004-2005 in response to challenges due to limited State funding by:

- Closely monitoring staff vacancies, with existing administrators assuming additional duties as needed to maximize salary savings

- Using block grant funds for existing equipment commitments and forced costs that qualify

- Using General Obligation Bond (Measure C) funds as the District match on scheduled maintenance projects, thus saving District general fund dollars

- Implementing a comprehensive enrollment management plan to maximize growth revenues

The 2005-2006 System Budget Request

For 2005-2006, the California Community College system-wide budget request is being presented to the Governor with a "disciplined approach." Vice Chancellor Robert Turnage is reporting that the system's proposal will ask for an 11 percent increase, which will consist of $540 million in Proposition 98 funds and $53.7 million in one time funds. Key components of his request are:

- Restorations of the Partnership for Excellence veto of $31.4 million
- 2.5 percent COLA
- Payment for lost COLA from prior years
- Enrollment growth of 4 percent system wide
- Partial restoration of Matriculation cuts
- Non credit funding per student enhancement
- Health Services backfill (due to BOG waivers)
- Economic and Workforce Development Funds
- Additional Instructional Equipment Block Grant Funds
- Professional Development funding (partial restoration)

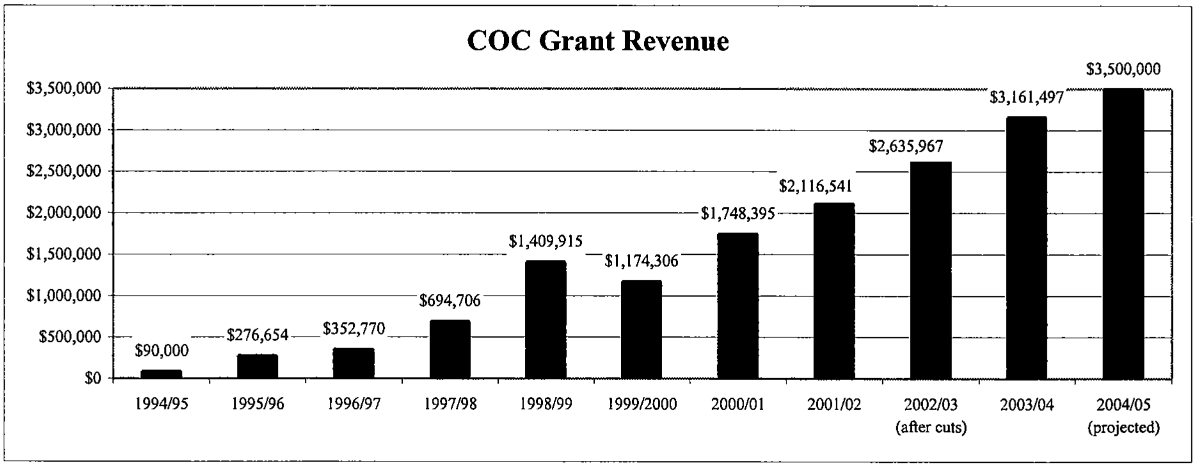
Local Funding Opportunities

In order to maintain the high standard of quality and access for its students, the District has taken charge of its own future by identifying other revenue sources. The District has done this by placing an emphasis on partnerships with local businesses and other community entities. Not only has this resulted in new revenues to the District, it has created strong ties and support that provide other valuable, intangible benefits.

The College of the Canyons Foundation (the Foundation) has been a valuable source of supplemental revenue for academic support and student programs in past years. In fiscal year 2003-2004, the Foundation contributed $188,471 to Academic Support and Student Programs. In addition, another $49,976 in scholarship money was issued to students in fiscal year 2003-2004. The University Center Capital Campaign, which has been underway since 2001-2002, received another $756,435 in donations/pledges in 2003-2004. For fiscal year 2004-2005, the College of the Canyons Foundation will continue to play an important role in supporting the College. The University Center Capital Campaign, with its multi-year goal of $10 million in contributions, is scheduled to conclude in 2005.

The Role of Grant Revenues

To augment the resources available to the College for program development, the College pursues grant revenue from the State, Federal government, and private foundations. The College's efforts in grants development have resulted in awards of $3,161,497 for fiscal year 2003-2004, an increase of 20 percent over 2002-2003. Projected grant awards for 2004-2005 are estimated at $3,500,000.



Source: *Just the Facts, Fact Book for College of the Canyons*, November 2003.

SUMMARY

In summary, the District's fiscal position is sound and General Fund reserves are above Chancellor's Office guidelines. Innovative approaches have been combined with team efforts to minimize the impact of the State budget deficit. The College will continue to strive for efficiencies and to maximize revenues in order to allow the College to provide access to students while maintaining its fiscal stability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: Santa Clarita Community College District, 26455 Rockwell Canyon Road, Santa Clarita, California 91355.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS
JUNE 30,

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 269,035	$ 269,465
Investments	40,565,649	34,760,115
Accounts receivable	4,603,384	4,601,246
Prepaid expenses	275,612	233,615
Total Current Assets	45,713,680	39,864,441
NONCURRENT ASSETS		
Capital assets, net of depreciation	49,307,594	38,329,521
Total Noncurrent Assets	49,307,594	38,329,521
TOTAL ASSETS	95,021,274	78,193,962
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	7,888,564	6,919,865
Accrued interest payable	525,302	545,275
Current loans	-	4,145,000
Deferred revenue	857,971	2,882,403
Amounts held in trust on behalf of others	1,078,316	888,700
Accrued compensated absences	241,386	217,025
Bond and notes payable	2,404,431	1,725,000
Lease obligations	154,790	175,300
Other long-term liabilities	268,093	203,043
Total Current Liabilities	13,418,853	17,701,611
NONCURRENT LIABILITIES		
Accrued compensated absences payable	724,159	651,074
Bond and notes payable	51,504,298	36,051,849
Lease obligations	131,866	327,631
Other long-term liabilities	391,791	291,686
Total Noncurrent Liabilities	52,752,114	37,322,240
TOTAL LIABILITIES	66,170,967	55,023,851
NET ASSETS		
Invested in capital assets, net of related debt	22,108,466	16,247,552
Restricted for:		
Debt service	2,828,518	1,994,295
Capital projects	1,323,827	2,719,620
Unrestricted	2,589,496	2,208,644
TOTAL NET ASSETS	$ 28,850,307	$ 23,170,111

The accompanying notes are an integral part of these financial statements.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30,

	2004	2003
OPERATING REVENUES		
Tuition and Fees	$ 6,901,912	$ 4,729,266
Less: Scholarship discount and allowance	(885,459)	(569,020)
Net tuition and fees	6,016,453	4,160,246
Grants and Contracts, noncapital:		
Federal	4,281,456	4,378,346
State	11,130,876	10,845,462
TOTAL OPERATING REVENUES	21,428,785	19,384,054
OPERATING EXPENSES		
Salaries	33,732,291	33,093,950
Employee benefits	8,122,408	6,499,585
Supplies, materials, and other operating expenses and services	12,227,420	11,240,054
Equipment, maintenance, and repairs	2,037,616	1,196,906
Depreciation	1,351,517	1,026,560
TOTAL OPERATING EXPENSES	57,471,252	53,057,055
OPERATING LOSS	(36,042,467)	(33,673,001)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	20,405,573	21,397,061
Local property taxes	19,153,374	16,824,385
State taxes and other revenues	1,550,974	1,469,100
Investment income, net	526,981	676,347
Interest expense on capital related debt	(2,107,033)	(2,056,497)
Interest income on capital asset-related debt, net	371	1,016
Loss on disposal of capital assets	(119,719)	-
Transfer from agency fund	(240,000)	(240,000)
Transfer to agency fund	1,800	1,800
Other nonoperating revenue	2,474,122	3,381,765
TOTAL NONOPERATING REVENUES (EXPENSES)	41,646,443	41,454,977
INCOME BEFORE OTHER REVENUES AND EXPENSES	5,603,976	7,781,976
State revenues, capital	-	25,214
Local revenues, capital	76,220	1,243,083
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	76,220	1,268,297
NET INCREASE IN NET ASSETS	5,680,196	9,050,273
NET ASSETS, BEGINNING OF YEAR	23,170,111	14,119,838
NET ASSETS, END OF YEAR	$ 28,850,307	$ 23,170,111

The accompanying notes are an integral part of these financial statements.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 6,201,641	$ 4,410,095
Grants and contracts	15,419,101	9,829,518
Payments to (on behalf of) employees	(41,449,904)	(39,314,019)
Payments to vendors and suppliers	(14,753,208)	(8,977,073)
Payments for scholarships and grants	(2,728,955)	(2,540,296)
Other operating revenues	-	4,258,616
Net Cash Used by Operating Activities	(37,311,325)	(32,333,159)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	18,850,597	22,008,312
Property taxes	19,153,374	16,824,385
State taxes and other revenue	1,211,039	1,627,914
Other nonoperating	2,521,416	1,920,359
Net Cash Provided by Noncapital Financing Activities	41,736,426	42,380,970
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionments, capital projects	1,841,785	4,346,668
State and local revenue, capital projects	(2,123,780)	2,413,329
Proceeds from capital debt	17,856,880	1,427,824
Acquisition and construction of capital assets	(12,624,846)	(13,784,255)
Principal paid on capital debt and leases	(1,941,275)	(618,677)
Interest received on capital debt	371	1,016
Interest paid on capital debt and leases	(2,127,006)	(2,056,497)
Net Cash Provided (Used) by Capital and Related Financing Activities	882,129	(8,270,592)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments and related fees	-	(2,528,316)
Proceeds from sales and maturities of investments	5,436,505	-
Investment income	497,874	711,042
Net Cash Provide (Used) by Investing Activities	5,934,379	(1,817,274)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,241,609	(40,055)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	28,396,205	28,436,260
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 39,637,814	$ 28,396,205

The accompanying notes are an integral part of these financial statements.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS, CONTINUED
FOR THE YEAR ENDED JUNE 30,

	2004	2003
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (36,042,467)	$ (33,673,001)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	1,351,517	1,026,560
Changes in assets and liabilities:		
Receivables, net	(1,535,686)	(381,167)
Prepaid items	(41,997)	38,822
Accounts payable	(1,407,876)	323,561
Deferred revenue	175,568	218,450
Funds held for others	189,616	113,616
Total Adjustments	(1,268,858)	1,339,842
Net Cash Used by Operating Activities	$ (37,311,325)	$ (32,333,159)

	2004	2003
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 269,035	$ 269,465
Cash with county treasury	39,368,779	28,126,740
Total Cash and Cash Equivalents	$ 39,637,814	$ 28,396,205

The accompanying notes are an integral part of these financial statements.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FINANCIAL POSITION
DISCRETELY PRESENTED COMPONENT UNIT
- COLLEGE OF THE CANYONS FOUNDATION
JUNE 30,

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 918,297	$ 774,966
Unconditional promises to give, less allowance for uncollectible promises to give	275,115	245,778
Accounts receivable	37,344	26,574
Prepaid expenses	138	1,300
Total Current Assets	1,230,894	1,048,618
NONCURRENT ASSETS		
Investments	1,389,439	901,513
Long-term unconditional promises to give	748,454	602,048
Capital assets (net of accumulated depreciation)	2,876	4,409
Total Noncurrent Assets	2,140,769	1,507,970
TOTAL ASSETS	$ 3,371,663	$ 2,556,588
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	$ 18,879	$ 21,768
Current portion of obligation to Santa Clarita Community District	43,031	50,000
Total Current Liabilities	61,910	71,768
NONCURRENT LIABILITIES		
Long-term portion of obligation to Santa Clarita Community District	116,670	119,598
Total Noncurrent Liabilities	116,670	119,598
TOTAL LIABILITIES	178,580	191,366
NET ASSETS		
Unrestricted	(116,228)	(147,702)
Temporarily restricted	2,962,770	2,173,341
Permanently restricted	346,541	339,583
TOTAL NET ASSETS	3,193,083	2,365,222
TOTAL LIABILITIES AND NET ASSETS	$ 3,371,663	$ 2,556,588

The accompanying notes are an integral part of these financial statements.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT
- COLLEGE OF THE CANYONS FOUNDATION
FOR THE YEAR ENDED JUNE 30,

	2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions	$ 64,548	$ 384,409	$ 28,443	$ 477,400
Contributions - Santa Clarita Community College District	59,167	-	-	59,167
Contributions - capital campaign	-	756,435	-	756,435
In-kind donations:				
Donated facilities	30,000	-	-	30,000
Donated services	376,322	-	-	376,322
Donated assets	191,333	-	-	191,333
Development	14,110	-	-	14,110
Special events	209,899	-	-	209,899
President's Circle	98,377	-	-	98,377
Interest and dividends	374	17,506	2,980	20,860
Unrealized gain/(loss) on investment	-	14,694	5,253	19,947
Assets released from restrictions	374,043	(367,504)	(6,539)	-
Total Public Support and Revenues	1,418,173	805,540	30,137	2,253,850
EXPENSES				
Board expenses	2,806	-	-	2,806
Depreciation	3,196	-	-	3,196
In-kind donations:				
Donated facilities	30,000	-	-	30,000
Donated services	376,322	-	-	376,322
Donated assets	191,333	-	-	191,333
Development	37,445	-	-	37,445
Dues and memberships	2,517	-	-	2,517
Miscellaneous	7,934	-	-	7,934
Postage and printing	202	-	-	202
President's Circle	14,771	-	-	14,771
Professional services	2,820	-	-	2,820
Academic support - student programs	188,471	-	-	188,471
Bank and broker fees	5,343	-	-	5,343
Salaries and employee benefits	229,640	-	-	229,640
Scholarships	49,976	-	-	49,976
Special events	88,748	-	-	88,748
Supplies	1,334	-	-	1,334
Telephone and fax	855	-	-	855
Uncollectible pledges	12,775	-	-	12,775
College support	123,982	-	-	123,982
University campaign expenses	1,918	-	-	1,918
Coffee kiosk expenses	47,579	-	-	47,579
Travel and conference	6,022	-	-	6,022
Total Expenses	1,425,989	-	-	1,425,989
TRANSFERS	39,290	(16,111)	(23,179)	-
CHANGE IN NET ASSETS	31,474	789,429	6,958	827,861
NET ASSETS, BEGINNING OF YEAR	(147,702)	2,173,341	339,583	2,365,222
NET ASSETS, END OF YEAR	$ (116,228)	$2,962,770	$ 346,541	$ 3,193,083

The accompanying notes are an integral part of these financial statements.

2003			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 49,704	$ 426,180	$ 31,908	$ 507,792
55,000	-	-	55,000
-	1,156,193	-	1,156,193
30,000	-	-	30,000
254,722	-	-	254,722
148,801	-	-	148,801
29,088	-	-	29,088
177,355	-	-	177,355
87,786	-	-	87,786
402	14,723	3,979	19,104
-	(3,602)	(2,526)	(6,128)
365,020	(364,954)	(66)	-
1,197,878	1,228,540	33,295	2,459,713
1,732	-	-	1,732
4,932	-	-	4,932
30,000	-	-	30,000
254,722	-	-	254,722
203,350	-	-	203,350
37,648	-	-	37,648
4,083	-	-	4,083
278	-	-	278
1,295	-	-	1,295
6,335	-	-	6,335
725	-	-	725
157,355	-	-	157,355
5,990	-	-	5,990
263,460	-	-	263,460
48,300	-	-	48,300
59,869	-	-	59,869
4,037	-	-	4,037
1,321	-	-	1,321
8,657	-	-	8,657
149,636	-	-	149,636
175,279	-	-	175,279
-	-	-	-
9,347	-	-	9,347
1,428,351	-	-	1,428,351
40,075	(18,463)	(21,612)	-
(190,398)	1,210,077	11,683	1,031,362
42,696	963,264	327,900	1,333,860
$ (147,702)	$ 2,173,341	$ 339,583	$2,365,222

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
- COLLEGE OF THE CANYONS FOUNDATION
FOR THE YEAR ENDED JUNE 30,

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 827,861	$ 1,031,362
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Unrealized (gain) loss on investments	(19,947)	6,128
Depreciation	3,196	4,932
Donation of capital assets to program activities	-	(54,549)
Changes in Assets and Liabilities		
Increase in unconditional promises to give	(175,743)	(762,177)
Increase in accounts receivable	(10,770)	(23,014)
(Increase) Decrease in prepaid expenses	1,162	(1,300)
Decrease in accounts payable	(2,889)	(2,026)
Net Cash Flows Provided by Operating Activities	622,870	199,356
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(467,979)	(750,809)
Purchase from sale of investments	-	138,606
Purchase of computer software	(1,663)	-
Net Cash Flows Used by Investing Activities	(469,642)	(612,203)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of obligation payable	55,352	169,598
Interest restricted for reinvestment	-	3,979
Payment of obligation payable	(65,249)	-
Net Cash Flows Provided (Used) by Financing Activities	(9,897)	173,577
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	143,331	(239,270)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	774,966	1,014,236
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 918,297	$ 774,966

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Santa Clarita Community College District (the District) was established in 1967 as a political subdivision of the State of California and provides educational services to residents of Los Angeles County. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. Currently, the District operates one community college located in Santa Clarita, California.

B. Financial Reporting Entity

During the year ended June 30, 2004, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consist of the primary government (the District), as well as the following component units:

College of the Canyons Foundation

The College of the Canyons Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The thirty-member Board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made,* and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

Financial statements for the Foundation can be obtained by calling the Foundation at (661) 259-7800.

Public Property Financing Corporation

The Public Property Financing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Within the supplementary information section of the report, the activity is included as the Capital Outlay Projects Fund and the Other Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Public Property Financing Corporation.

Joint Powers Agencies and Public Entity Risk Pools

The District is associated with four joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. Summarized financial information is presented in Note 13 to the financial statements. The JPAs are the Protected Insurance Program for Schools (PIPS), the Statewide Association of Community Colleges (SWACC), the School Excess Liability Fund (SELF), and the Self-Insurance Risk Management Authority III – Employee Benefits (SIRMA III).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United State of America as applicable to colleges and universities, as well as those prescribed by the California Community College's Chancellor's Office. The District reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37 and 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
    - Statement of Net Assets
    - Statement of Revenues, Expenses, and Changes in Net Assets
    - Statement of Cash Flows
- Notes to the Financial Statements

D. <u>The following is a summary of the more significant policies:</u>

- **<u>Cash and Cash Equivalents</u>**

  The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

- **<u>Investments</u>**

  In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools,* investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Investments for which there are no quoted market prices are not material.

- **<u>Accounts Receivable</u>**

  Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes all amounts are fully collectable.

- **Prepaid Expenditures**

  Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30.

- **Capital Assets and Depreciation**

  Capital assets are long-lived assets of the District as a whole and include land, buildings, and equipment. The District maintains a capitalization threshold of $5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. Major outlays for capital improvements are capitalized as Work in Process as the projects are constructed.

  Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 to 25 years; equipment, 3 to 15 years.

- **Accrued Liabilities and Long-term Obligations**

  All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

- **Compensated Absences**

  Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

  Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

- **Deferred Revenue**

  Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

- **Net Assets**

  GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

  - **Invested in Capital Assets, Net of Related Debt** - Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
  - **Restricted - Expendable** - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.
  - **Unrestricted** - Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

  When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

- **Operating Revenues and Expenses**

  Classification of Revenues - The District has classified its revenues as either operating or nonoperating according to the following criteria:

  Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

  Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State appropriations, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

F. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

G. Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133 *"Audits of States, Local Governments and Non-Profit Organizations,"* and the related *Compliance Supplement.* During the year ended June 30, 2004 and 2003, the District distributed $1,298,536 and $1,193,055, respectively, in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students however the amounts are included on the Schedule of Federal Financial Assistance.

H. Reclassification

Certain reclassifications were made to prior years' presentations to conform to current year presentation.

I. Component Unit

The College of the Canyons Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and the changes in net assets are classified as follows:

- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes
- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.
- **Unrestricted Net Assets** - Net assets not subject to donor-imposed restrictions.

Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Investments are reported at fair value based upon quoted market prices.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer. In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to $100,000. *California Government Code* Sections 16520-16522 require 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 percent of an agency's deposits.

Under provision of the District's investment policy, and in accordance with Sections 53601 and 53602 of the *California Government Code*, the District may also make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

B. Deposits

At June 30, 2004 and 2003, the carrying amounts of the District's deposits were $269,035 and $269,465, respectively. The bank balances totaled $257,113 and $487,457, respectively. Of these amounts, $100,000 and $177,658, respectively, were federally insured by the Federal Deposit Insurance Corporation. The balances of $157,113 and $309,799, respectively, are collateralized with securities held by the individual financial institutions.

C. Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the county treasury are not categorized because they do not represent securities, which exist in physical or book entry form. The deposits with county treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county.

The investments are as follows:

June 30, 2004

	Reported Amount	Fair Value
Uncategorized		
U.S. Treasury Obligations	$ 1,196,870	$ 1,196,870
Deposits with county treasurer	39,368,779	39,255,397
Total Investments	$ 40,565,649	$ 40,452,267

June 30, 2003

	Reported Amount	Fair Value
Uncategorized		
Trinity Funding Guaranteed Investment Contract	$ 4,169,318	$ 4,169,318
U.S. Treasury Obligations	2,464,057	2,464,057
Deposits with county treasurer	28,126,740	28,175,363
Total Investments	$ 34,760,115	$ 34,808,738

NOTE 3 - ACCOUNTS RECEIVABLES

Accounts receivable consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

June 30, 2004

Federal Government	
Categorical aid	$ 654,125
State Government	
Categorical aid	109,723
Lottery	645,484
Apportionment	1,554,976
Other State	803,147
Local Sources	
Interest	132,361
Earned salary advances	295,384
Foundation's capital campaign	159,701
Other local	248,483
Total	$ 4,603,384

June 30, 2003

Federal Government	
Categorical aid	$ 418,661
State Government	
Categorical aid	208,307
Lottery	241,161
State construction	2,246,108
Schedule maintenance	200,510
Other State	164,118
Local Sources	
Interest	103,254
Earned salary advances	279,601
Foundation's capital campaign	233,596
Other local	505,930
Total	$ 4,601,246

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 664,719	$ -	$ -	$ 664,719
Construction in progress	14,529,798	12,346,120	2,877,817	23,998,101
Total Capital Assets Not Being Depreciated	15,194,517	12,346,120	2,877,817	24,662,820
Capital Assets Being Depreciated				
Site improvements	10,288,037	852,290	-	11,140,327
Buildings and improvements	24,744,959	2,025,527	37,981	26,732,505
Equipment	4,192,746	103,189	714,808	3,581,127
Total Capital Assets Being Depreciated	39,225,742	2,981,006	752,789	41,453,959
Total Capital Assets	54,420,259	15,327,126	3,630,606	66,116,779
Less Accumulated Depreciation				
Site improvements	1,936,758	463,846	-	2,400,604
Buildings and improvements	12,089,523	529,267	22,029	12,596,761
Equipment	2,064,457	358,404	611,041	1,811,820
Total Accumulated Depreciation	16,090,738	1,351,517	633,070	16,809,185
Net Capital Assets	$ 38,329,521	$ 13,975,609	$ 2,997,536	$ 49,307,594

Depreciation expenses were $1,351,517 and $1,026,560 for the years ended June 30, 2004 and 2003, respectively.

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system, and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

B. Operating Transfers

Operating transfers between District governmental funds are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2004

Accrued payroll and benefits	$ 3,796,093
Apportionment	520,482
Instructional service agreements	1,709,785
Construction	1,133,622
Other liabilities	728,582
Total	$ 7,888,564

June 30, 2003

Accrued payroll and benefits	$ 3,638,116
Apportionment	316,473
Construction	1,309,159
Other liabilities	1,656,117
Total	$ 6,919,865

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following:

June 30, 2004

State categorical	$ 71,787
Student tuition and fees	786,184
Total	$ 857,971

June 30, 2003

State categorical	$ 65,018
State capital project advance	2,200,000
Student tuition and fees	600,996
Other local revenues	16,389
Total	$ 2,882,403

NOTE 8 - LONG-TERM DEBT

A. Long-Term Debt Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds, series 2002	$21,625,000	$ -	$1,435,000	$20,190,000	$2,025,000
General obligation bonds, series 2003	-	17,856,880	-	17,856,880	34,817
Lease revenue bond	11,075,000	-	225,000	10,850,000	240,000
Certificates of participation	3,760,000	-	65,000	3,695,000	70,000
Notes payable	1,316,849	-	-	1,316,849	34,614
Total Bonds and Notes Payable	37,776,849	17,856,880	1,725,000	53,908,729	2,404,431
Other Liabilities					
Capital leases	502,931	-	216,275	286,656	154,790
Early retirement plan	494,729	253,670	203,043	545,356	253,777
Cal STRS retirement program	-	114,528	-	114,528	14,316
Compensated absences	868,099	97,446	-	965,545	241,386
Total Other Liabilities	1,865,759	465,644	419,318	1,912,085	664,269
Total Long-term Debt	$39,642,608	$18,322,524	$ 2,144,318	$55,820,814	$ 3,068,700

B. Description of Debt

General obligation bonds were approved by a local election in November 2001. The total amount approved by the voters was $82,110,000. At June 30, 2004, $39,123,982 had been issued and $38,046,880 was outstanding. Interest rates on the bonds range from 3.0 percent to 5.6 percent.

The lease revenue bonds were issued during the 1999-2000 fiscal year in the amount of $11,745,000 to finance acquisition of portable classrooms, construction of additional parking, and remodeling of the student center. At June 30, 2004, the balance outstanding was $10,850,000. The bonds mature through 2030 with interest rates ranging from 4.0 percent to 6.0 percent.

The certificates of participation were issued in 2001 in the amount of $3,805,000 to fund various capital improvement projects throughout the District. At June 30, 2004, the balance outstanding was $3,695,000. The certificates mature through 2032 with interest rates ranging from 4.0 percent to 5.125 percent.

The notes payable were issued in 2002 in the amount of $1,316,849 to fund energy-retrofitting projects throughout the District. At June 30, 2004, the balance outstanding was $1,316,849. The note matures through 2015.

The District has utilized capital leases purchase agreements to purchase primarily equipment. The current lease purchase agreements will be paid through 2007.

C. Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding End of Year
2002	08/01/26	3.0%-5.0%	$ 21,625,000	$ 21,625,000	$ -	$ -	$ 1,435,000	$ 20,190,000
2003	08/01/28	1.05%-5.60%	17,498,982	-	17,498,982	357,898	-	17,856,880
				$ 21,625,000	$ 17,498,982	$ 357,898	$ 1,435,000	$ 38,046,880

The General Obligation Bonds, Series 2002, mature through 2027 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2005	$ 2,025,000	$ 902,087	$ 2,927,087
2006	685,000	856,375	1,541,375
2007	780,000	828,550	1,608,550
2008	325,000	805,475	1,130,475
2009	395,000	792,050	1,187,050
2010-2014	1,335,000	3,809,290	5,144,290
2015-2019	3,180,000	3,323,695	6,503,695
2020-2024	5,985,000	2,220,625	8,205,625
2025-2027	5,480,000	440,238	5,920,238
Total	$ 20,190,000	$ 13,978,385	$ 34,168,385

The General Obligation Bonds, Series 2003, mature through 2029 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Total
2005	$ 34,817	$ 183	$ 35,000
2006	1,500,268	39,732	1,540,000
2007	761,200	43,800	805,000
2008	1,018,595	101,405	1,120,000
2009	679,162	100,838	780,000
2010-2014	3,738,210	1,341,790	5,080,000
2015-2019	3,494,007	2,960,993	6,455,000
2020-2024	3,226,316	4,988,684	8,215,000
2025-2029	3,404,305	8,515,695	11,920,000
Total	$ 17,856,880	$ 18,093,120	$ 35,950,000

D. Lease Revenue Bond

The lease revenue bonds mature through 2030 as follows:

Year Ending June 30,	Principal	Interest	Total
2005	$ 240,000	$ 617,784	$ 857,784
2006	30,000	611,694	641,694
2007	105,000	608,510	713,510
2008	160,000	602,136	762,136
2009	200,000	593,256	793,256
2010-2014	1,740,000	2,738,395	4,478,395
2015-2019	2,340,000	2,161,212	4,501,212
2020-2024	2,885,000	1,390,732	4,275,732
2025-2029	2,605,000	538,950	3,143,950
2030	545,000	16,350	561,350
Total	$ 10,850,000	$ 9,879,019	$ 20,729,019

E. Certificates of Participation

The certificates mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2005	$ 70,000	$ 179,111	$ 249,111
2006	70,000	176,311	246,311
2007	75,000	173,411	248,411
2008	75,000	170,411	245,411
2009	80,000	167,311	247,311
2010-2014	450,000	782,690	1,232,690
2015-2019	555,000	666,101	1,221,101
2020-2024	720,000	506,014	1,226,014
2025-2029	925,000	296,609	1,221,609
2030-2032	675,000	52,916	727,916
Total	$ 3,695,000	$ 3,170,885	$ 6,865,885

F. Notes Payable

The notes mature through 2015 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2005	$ 34,614	$ 122,242	$ 156,856
2006	106,618	50,238	156,856
2007	110,925	45,931	156,856
2008	115,296	41,560	156,856
2009	120,065	36,791	156,856
2010-2014	677,063	107,218	784,281
2015	152,268	4,588	156,856
Total	$ 1,316,849	$ 408,568	$ 1,725,417

G. Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

	Equipment
Balance, Beginning of Year	$ 552,514
Payments and adjustments	237,597
Balance, End of Year	$ 314,917

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2005	$ 170,050
2006	119,732
2007	25,135
Total	314,917
Less: Amount Representing Interest	28,261
Present Value of Minimum Lease Payments	$ 286,656

H. Retiree Benefits

The District has entered into an agreement to provide certain benefits to employees participating in the early retirement incentive program. The District will pay a total of $545,356 on behalf of the retirees over the next five years in accordance with the following schedule:

Year Ending June 30,	
2005	$ 253,777
2006	139,377
2007	50,734
2008	50,734
2009	50,734
Total	$ 545,356

I. Cal STRS Retirement Program

The District has entered into an agreement to provide members of the California State Teachers' Retirement System who retire to receive up to two years of additional service credit. The period during which eligible employees may retire under this program is from April 15, 2004 through June 14,2004. Currently, two employees meet those eligibility requirements. The District will pay $145,448 to the California State Teachers' Retirement Fund over the next eight years in accordance with the following schedule:

Year Ending June 30,	
2005	$ 21,187
2006	20,328
2007	19,470
2008	18,610
2009	17,751
2010-2012	48,102
Total	145,448
Less: Amount Representing Interest	30,920
Present Value of Minimum Payments	$ 114,528

NOTE 9 - RETIREE BENEFITS

The District provides postemployment health care benefits, in accordance with District employment contracts, to academic employees who retire from service with the District on or after January 1, 1979. These employees may elect to continue their coverages under the District's medical, dental, and group life insurance programs.

Eligible employees are those who have completed not less than ten consecutive years of paid service with the District, as of the date of retirement, or who have been employed for not less than three consecutive years on a multi-year contract, as of the date of retirement. The District contribution for these coverages is paid in accordance with negotiated contracts.

Currently, 65 employees meet those eligibility requirements. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis. During the year, expenditures of $122,195 were recognized for retirees' health care benefits.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2004, the District contracted with the Statewide Association of Community Colleges (SWACC) Joint Powers Authority and the Schools Excess Liability Fund (SELF) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2004, the District participated in the Protected Insurance Program for Schools (PIPS) joint powers authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

A. STRS

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-2004 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$1,457,290, \$1,422,073, and \$1,148,131, respectively and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

B. CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The Santa Clarita Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute seven percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2003-2004 was 10.42 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2004, 2003, and 2002, were $1,153,794, $292,248, and $0, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75 percent annually; and (c) an inflation component of 3.5 percent compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

C. On Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS, which amounted to $402,742 (2.28 percent) of salaries subject to STRS. A contribution to CalPERS was not required for the year ended June 30, 2004. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts. These amounts also have not been recorded in these financial statements.

D. Deferred Compensation

The District offers its employees three deferred compensation plans created in accordance with Internal Revenue Code Sections 457 and 403(b). The plans, available to all District employees with the exception of College Assistants, permit them to defer a portion of their salary until future years. Depending on the plan, the deferred compensation is not available to employees until termination, retirement, death, disability, hardship, or unforeseeable emergency.

All assets of the 457 plans are held in trusts for the exclusive benefit of participants. All assets of the 403(b) plan are individually owned by participants.

E. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its plan. Contributions made by the District and an employee vest immediately. The District contributes 6.20 percent of an employee's gross earnings. An employee is required to contribute 6.20 percent of his or her gross earnings to the pension plan.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2004.

C. Operating Leases

The District has entered into various operating leases for classrooms/office facilities and equipment. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a six month written notice to lessors. It is expected that, in the normal course of business, most of these leases will be replaced by similar leases. Expenditures for rent under leases for the year ended June 30, 2004, amounted to $404,375.

D. Construction Commitments

As of June 30, 2004, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Facilities Assessment	$ 6,000	12/31/04
Campus Marquee	12,386	12/31/04
Music Dance Building	4,077,018	03/31/05
GO Bond Projects	2,860	12/31/04
High Tech Lab	492,879	06/30/06
Canyon Country Education Center	124,100	06/30/05
University Center	4,500	06/30/05
Building Products Standards	13,063	06/30/05
Room Standards	50,000	06/30/05
Warehouse Addition	621,752	12/01/04
PE Addition and Tennis Court	7,785	12/31/06
Science Lab Addition	333,455	12/31/06
Schedule Maintenance	59,600	05/15/05
Performing Arts	1,425,118	10/01/04
	$ 7,230,516	

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Protected Insurance Program for Schools (PIPS), the State-Wide Association of Community Colleges (SWACC), the Schools Excess Liability Fund (SELF), and the Self-Insurance Risk Management Authority III – Employee Benefits (SIRMA III) joint powers authorities (JPAs). The District pays an annual premium to each entity for its workers' compensation and property liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The JPAs reported no long-term debt outstanding at June 30, 2003 and June 30, 2004. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

Current year condensed audited financial information is as follows:

A. **Entity**	PIPS	SWACC	SELF	SIRMA III
B. **Purpose**	Provides workers' compensation coverage.	Provides property and liability coverage.	Provides excess liability coverage.	Provides dental and vision coverage.
C. **Participants**	Local educational agencies.	Community college districts throughout California.	Local educational agencies.	Local educational agencies.
D. **Governing Board**	Members of participating districts.	Members of participating districts.	Members of participating districts.	Members of participating districts.
E. **Condensed Audited Financial Information Follows**				
	June 30, 2004	June 30, 2003*	June 30, 2004	June 30, 2003*
Assets	$ 573,783	$ 23,578,730	$ 173,648,016	$ 3,107,656
Liabilities	(523,978)	(13,977,302)	(147,852,240)	(1,628,840)
Fund Equity	$ 49,805	$ 9,601,428	$ 25,795,776	$ 1,478,816
Revenues	150,070,575	12,043,931	79,888,579	4,614,290
Expenses	(150,020,770)	(11,911,119)	(85,290,333)	(4,725,281)
Return on contribution	-	(605,116)	-	-
Net Increase (Decrease) in Fund Equity	$ 49,805	$ (472,304)	$ (5,401,754)	$ (110,991)
F. **Payments for the Current Year**	$ -	$ 205,238	$ 3,777	$ 493,869

* Most recent information available.

NOTE 14 - FUNCTIONAL EXPENSES

	Salaries	Employee Benefits	Supplies, Materials, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$18,375,126	$3,616,533	$ 3,200,316	$ 118,964	$ -	$ 25,310,939
Academic support	1,954,566	473,655	383,453	56,973	-	2,868,647
Student services	3,512,219	921,063	567,978	63,674	-	5,064,934
Plant operations and maintenance	1,596,722	584,380	1,606,099	10,993	-	3,798,194
Instructional support services	4,273,959	1,396,340	2,108,248	450,193	-	8,228,740
Community services and economic development	837,097	246,375	462,120	218,912	-	1,764,504
Ancillary services and auxiliary operations	3,018,786	843,644	582,692	19,395	-	4,464,517
Student aid	-	-	2,728,955	-	-	2,728,955
Physical property and related acquisitions	163,816	40,418	587,559	1,098,512	-	1,890,305
Depreciation expense	-	-	-	-	1,351,517	1,351,517
Total	$33,732,291	$8,122,408	$ 12,227,420	$ 2,037,616	$1,351,517	$ 57,471,252

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* in June 2004. The pronouncement will require employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclose on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's revenues, similar to the implementation for GASB Statements No. 34 and 35. GASB Statement No. 45 will be effective for the Santa Clarita Community College District on July 1, 2008. The effect of this pronouncement on the financial condition of the District has not been determined.

SUPPLEMENTARY INFORMATION

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2004

The Santa Clarita Community College District was established in November 1967 and is comprised of an area of approximately 158 acres located in Los Angeles County. The District currently operates College of the Canyons, a community college. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ernest L. Tichenor	President	2005
Joan W. MacGregor	Vice President	2005
Michele R. Jenkins	Clerk	2007
Bruce D. Fortine	Member	2007
Ronald Gillis	Member	2007

ADMINISTRATION

Dianne G. Van Hook, Ed.D.	Superintendent-President/Secretary/Parliamentarian to the Governing Board
Philip L. Hartley, Ph.D.	Executive Vice President/Assistant Superintendent
Barry Gribbons, Ph.D.	Vice President, Institutional Development, Technology, and Online Services
Michael Wilding, Ph.D.	Acting Vice President, Human Resources and Student Affairs
Sharlene L. Coleal	Dean, Business Services
Sue Bozman	Dean, District Communications, Marketing, and External Relations
Jim Schrage	Dean, Physical Plant and Facilities Planning
Cindy Grandgeorge	Director, Fiscal Services

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid Cluster [1]		
Pell Grants	84.063	$ 2,326,801
Pell Administration Allowance	84.063	5,050
SEOG Grant	84.007	81,563
SEOG Administration Allowance	84.007	11,639
Federal Work-Study - 75%	84.033	93,028
Federal Family Education Loans	84.032	1,298,536
Fund for the Improvement of Postsecondary Education	84.116Z	620,393
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:		
Vocational Educational Grants		
VATEA Title IC	84.048	173,600
VATEA Technical Preparation	84.048	83,500
Child Development - Training Consortium	93.575	7,500
Child Development - Mentor Teaching	93.575	2,812
Community Early Childhood Education Director's Forum - SCRC mini grant	[2]	3,500
South Central Regional Consortium Mini Grant - Welding	[2]	3,500
Forest Reserve	10.670	5,114
NATIONAL SCIENCE FOUNDATION		
Project Create	47.076	675,036
U.S. DEPARTMENT OF AGRICULTURE		
Child Nutrition	10.558	18,880
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
TANF/GAIN - Temporary Aid to Needy Families	93.558	19,061
U.S. DEPARTMENT OF LABOR		
Workforce Investment Act:		
Incumbent/Dislocated Worker Skill Shortage II	17.260	34,376
Veterans' Education Act	17.802	852
U.S. DEPARTMENT OF JUSTICE BUREAU OF JUSTICE ASSISTANCE		
Public Safety Grant	16.580	115,251
Total Federal Programs		$ 5,579,992

[1] Tested as a Major Program.
[2] Federal Catalog Number not available.

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Associate Degree Nursing Program (6/1/04 - 6/30/05)	$ 60,722	$ -	$ 60,722
Associate Degree Nursing Program (5/1/03 - 6/30/04)	-	45,809	45,809
Board Financial Assistance Program	257,814	-	257,814
Cal Grant	293,404	-	293,404
California Articulation Number Grant	5,000	-	5,000
CA Work Opportunities and Responsibilities	88,846	-	88,846
Child Development - Child Nutrition			[1]
Child Development - Foster Parent	75,042	-	75,042
Child Development - Independent Living (10/1/02 - 9/30/03)	-	2,141	2,141
Child Development - Infant/Toddler	158,314	-	158,314
Child Development - Infant/Toddler Resource	2,184	-	2,184
Child Development - Instructional Materials	1,303	-	1,303
Child Development - Preschool - Full Day	44,563	-	44,563
Child Development - Preschool Expansion	143,953	-	143,953
Cooperative Agency Responsible for Education (CARE)	50,470	29	50,499
Disabled Student Programs and Services	510,487	45,650	556,137
Distance Learning Closed Caption Grant	12,420	-	12,420
Department of Public Social Services (CalWorks)	24,014	-	24,014
Economic Development - CACT	169,930	31,705	201,635
Extended Opportunity Program and Services	382,907	44,400	427,307
Instructional Equipment	228,768	-	228,768
Matriculation	383,978	64,292	448,270
Staff Diversity	15,074	4,584	19,658
Student Success - Mesa/CCCP Grant	81,500	76	81,576
Student Success - Middle College HS (4/1/03 - 3/31/04)	-	106,120	106,120
Student Success - Middle College HS (4/1/04 - 3/31/05)	127,000	-	127,000
Teacher and Reading Development Partnerships	42,000	-	42,000
Teacher and Reading Development Partnerships Carryforward	-	86,201	86,201
TTIP	64,234	50,105	114,339
Total State Programs			

[1] Entitlement column not applicable.

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable/ (Payable)	Deferred Revenue	Total Revenue	Program Expenditures
$ 59,367	$ -	$ 59,367	$ -	$ -
36,310	9,499	-	45,809	45,809
257,814	-	-	257,814	231,482
290,496	2,908	-	293,404	293,404
5,000	-	-	5,000	5,000
88,846	-	-	88,846	88,846
941	179	-	1,120	1,120
37,522	37,382	-	74,904	74,904
-	2,101	-	2,101	2,101
158,314	-	-	158,314	158,314
2,184	-	-	2,184	2,184
1,303	-	-	1,303	1,303
44,563	-	-	44,563	44,563
143,953	-	-	143,953	143,953
50,499	(484)	-	50,015	50,015
556,137	-	-	556,137	556,137
12,420	-	12,420	-	-
21,253	2,761	-	24,014	24,014
201,635	-	-	201,635	201,635
427,307	(3,787)	-	423,520	423,520
228,768	-	-	228,768	228,768
448,270	-	-	448,270	416,900
19,568	-	-	19,568	4,534
61,201	7,669	-	68,870	68,870
73,977	31,928	-	105,905	105,905
-	4,796	-	4,796	4,796
31,500	10,500	-	42,000	42,000
86,201	-	-	86,201	86,201
109,166	-	-	109,166	77,736
$ 3,454,515	$ 105,452	$ 71,787	$ 3,488,180	$ 3,384,014

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE APPORTIONMENT ANNUALIZED ATTENDANCE AND ANNUAL APPRENTICESHIP HOURS OF INSTRUCTION FOR THE YEAR ENDED JUNE 30, 2004

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Credit Full-Time Equivalent Student (FTES)			
1. Summer	981	-	981
2. Weekly census	7,156	-	7,156
3. Daily census	465	-	465
4. Actual hours of attendance	1,881	-	1,881
5. Independent study/work experience	309	-	309
Subtotal	10,792	-	10,792
B. Noncredit FTES			
1. Summer	10	-	10
2. Actual hours of attendance	99	-	99
Subtotal	109	-	109
Total FTES	10,901	-	10,901
C. Basic Skills Courses			
Credit			943
D. FTES Generated in Leased Space			374
E. Gross Square Footage			
Existing facilities			443,239

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements.

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2004

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance and Due to Student Groups:		
General Funds	$ 3,232,060	
Special Revenue Funds	599,730	
Capital Projects Funds	28,979,968	
Debt Service Funds	2,828,518	
Fiduciary Funds	1,085,483	
		$ 36,725,759
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	66,116,779	
Accumulated depreciation is	(16,809,185)	49,307,594
Amounts held in trust on behalf of others (Trust and Agency Funds)		(1,078,316)
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(525,302)
Long-term liabilities at year end consist of:		
General obligation bond payable	38,046,880	
Lease revenue bond payable	10,850,000	
Certificate of participation	3,695,000	
Notes payable	1,316,849	
Capital leases payable	286,656	
Early retirement plan	545,356	
Cal STRS retirement program	114,528	
Compensated absences (less amount set up in Governmental Funds)	724,159	(55,579,428)
Total Net Assets		$ 28,850,307

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2004

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

B. Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to recipients as follows:

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Amount Provided to Subrecipients
National Science Foundation	47.076	$ 194,784

C. Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

D. Schedule of Workload Measures for State Apportionment Annualized Attendance and Annual Apprenticeship Hours of Instruction

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the audited financial statements.

F. Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

ADDITIONAL SUPPLEMENTARY INFORMATION

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Funds	
	General Unrestricted	**General Restricted**
ASSETS		
Cash and cash equivalents	$ 20,000	$ -
Investments	5,827,786	108,901
Accounts receivable	2,872,958	874,466
Due from other funds	895,000	-
Prepaid expenses	270,065	3,883
Total Assets	$ 9,885,809	$ 987,250
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	6,352,849	455,959
Due to other funds	-	-
Deferred revenue	671,504	160,687
Total Liabilities	7,024,353	616,646
FUND EQUITY		
Fund Balances		
Reserved	290,065	369,231
Unreserved		
Designated	-	-
Undesignated	2,571,391	1,373
Total Fund Equity	2,861,456	370,604
Total Liabilities and Fund Equity	$ 9,885,809	$ 987,250

See accompanying note to additional supplementary information.

Special Revenue Funds					
Cafeteria	Child Development	Special Reserve	Asset Management	Employee Training Institute	Performing Arts Center
$ -	$ 1,000	$ -	$ -	$ -	$ -
33,039	104,854	383,506	10,843	153,875	100,000
5,338	5,153	1,348	41	109,265	167
-	-	-	-	-	-
-	-	-	-	-	-
$ 38,377	$ 111,007	$ 384,854	$ 10,884	$ 263,140	$ 100,167
1,258	77,512	-	3,531	49,336	-
-	-	-	-	60,000	100,000
-	3,460	13,602	-	-	-
1,258	80,972	13,602	3,531	109,336	100,000
-	1,000	-	-	-	-
-	-	371,252	-	-	-
37,119	29,035	-	7,353	153,804	167
37,119	30,035	371,252	7,353	153,804	167
$ 38,377	$ 111,007	$ 384,854	$ 10,884	$ 263,140	$ 100,167

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

BALANCE SHEET, CONTINUED
GOVERNMENTAL FUNDS
JUNE 30, 2004

	Debt Service Funds	
	Bond Interest and Redemption	Other Debt Service
ASSETS		
Cash and cash equivalents	$ -	$ -
Investments	2,822,146	6,267
Accounts receivable	-	105
Due from other funds	-	-
Prepaid expenses	-	-
Total Assets	$ 2,822,146	$ 6,372
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	-	-
Due to other funds	-	-
Deferred revenue	-	-
Total Liabilities	-	-
FUND EQUITY		
Fund Balances		
Reserved	2,822,146	6,372
Unreserved		
Designated	-	-
Undesignated	-	-
Total Fund Equity	2,822,146	6,372
Total Liabilities and Fund Equity	$ 2,822,146	$ 6,372

See accompanying note to additional supplementary information.

Capital Project Funds							
Capital Outlay Projects	GO Bond Series 2002	GO Bond Series 2003	Chevron Energy	Replenish Field Turf	Schedule Maintenance	State Construction Projects	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,000
1,202,525	11,725,382	16,611,855	-	50,271	345,594	205,258	39,692,102
163,224	44,750	58,128	-	174	58,558	347,871	4,541,546
-	-	-	-	-	-	-	895,000
-	-	-	-	-	-	-	273,948
$1,365,749	$11,770,132	$16,669,983	$ -	$ 50,445	$ 404,152	$ 553,129	$45,423,596
99,037	668,958	115,016	-	-	6	250,605	8,074,067
-	-	-	-	-	400,000	300,000	860,000
-	-	-	-	-	-	-	849,253
99,037	668,958	115,016	-	-	400,006	550,605	9,783,320
-	-	-	-	-	-	2,524	3,491,338
1,266,712	11,101,174	16,554,967	-	50,445	-	-	29,344,550
-	-	-	-	-	4,146	-	2,804,388
1,266,712	11,101,174	16,554,967	-	50,445	4,146	2,524	35,640,276
$1,365,749	$11,770,132	$16,669,983	$ -	$ 50,445	$ 404,152	$ 553,129	$45,423,596

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	General Funds	
	General Unrestricted	General Restricted
REVENUES		
Federal revenues	$ 22,655	$ 1,831,557
State revenues	23,673,643	2,834,452
Local revenues	22,822,030	858,320
Total Revenues	46,518,328	5,524,329
EXPENDITURES		
Current Expenditures		
Academic salaries	19,294,428	1,079,551
Classified salaries	10,490,727	1,839,104
Employee benefits	7,301,982	640,007
Books and supplies	390,366	286,479
Services and operating expenditures	6,989,022	777,803
Capital outlay	348,588	578,099
Debt service - principal	83,722	119,281
Debt service - interest and other	-	-
Total Expenditures	44,898,835	5,320,324
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,619,493	204,005
OTHER FINANCING SOURCES (USES)		
Operating transfers in	237,918	696,506
Operating transfers out	(1,518,589)	(711,481)
Other sources	-	-
Other uses	-	(299,428)
Total Other Financing Sources (Uses)	(1,280,671)	(314,403)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	338,822	(110,398)
FUND BALANCE, BEGINNING OF YEAR	2,522,634	481,002
FUND BALANCE, END OF YEAR	$ 2,861,456	$ 370,604

See accompanying note to additional supplementary information.

Special Revenue Funds					
Cafeteria	Child Development	Special Reserve	Asset Management	Employee Training Institute	Performing Arts Center
$ -	$ 18,880	$ -	$ -	$ -	$ -
-	347,949	-	-	420,940	-
59,967	350,319	137,058	137	154,720	167
59,967	717,148	137,058	137	575,660	167
-	231,501	-	-	1,684	-
-	330,640	-	-	264,858	-
-	126,899	-	-	53,520	-
88	965	-	-	14,844	-
19,923	23,167	-	13,548	88,538	-
8,635	-	-	-	3,782	-
-	-	-	-	-	-
-	-	-	-	-	-
28,646	713,172	-	13,548	427,226	-
31,321	3,976	137,058	(13,411)	148,434	167
-	3,000	-	20,000	-	-
(3,000)	(6,878)	(147,922)	-	-	-
-	-	-	-	-	-
-	(3,000)	-	-	-	-
(3,000)	(6,878)	(147,922)	20,000	-	-
28,321	(2,902)	(10,864)	6,589	148,434	167
8,798	32,937	382,116	764	5,370	-
$ 37,119	$ 30,035	$ 371,252	$ 7,353	$ 153,804	$ 167

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, CONTINUED
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Debt Service Funds	
	Bond Interest and Redemption	Other Debt Service
REVENUES		
Federal revenues	$ -	$ -
State revenues	39,022	-
Local revenues	3,188,880	371
Total Revenues	3,227,902	371
EXPENDITURES		
Current Expenditures		
Academic salaries	-	-
Classified salaries	-	-
Employee benefits	-	-
Books and supplies	-	-
Services and operating expenditures	-	-
Capital outlay	-	-
Debt service - principal	1,435,000	290,000
Debt service - interest and other	959,050	810,058
Total Expenditures	2,394,050	1,100,058
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	833,852	(1,099,687)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	1,100,058
Operating transfers out	-	-
Other sources	-	-
Other uses	-	-
Total Other Financing Sources (Uses)	-	1,100,058
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	833,852	371
FUND BALANCE, BEGINNING OF YEAR	1,988,294	6,001
FUND BALANCE, END OF YEAR	$ 2,822,146	$ 6,372

See accompanying note to additional supplementary information.

Capital Project Funds							
Capital Outlay Projects	GO Bond Series 2002	GO Bond Series 2003	Chevron Energy	Replenish Field Turf	Schedule Maintenance	State Construction Projects	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,873,092
-	-	-	-	-	426,053	5,051,960	32,794,019
86,805	203,650	205,815	146,749	25,445	1,978	4,023	28,246,434
86,805	203,650	205,815	146,749	25,445	428,031	5,055,983	62,913,545
-	-	-	-	-	-	-	20,607,164
-	-	-	-	-	-	-	12,925,329
-	-	-	-	-	-	-	8,122,408
-	-	-	-	-	-	-	692,742
42,292	111,849	433,418	-	-	-	-	8,499,560
1,504,052	5,683,167	716,412	146,749	-	426,053	5,084,660	14,500,197
-	-	-	-	-	-	-	1,928,003
-	-	-	-	-	-	-	1,769,108
1,546,344	5,795,016	1,149,830	146,749	-	426,053	5,084,660	69,044,511
(1,459,539)	(5,591,366)	(944,015)	-	25,445	1,978	(28,677)	(6,130,966)
40,000	-	-	-	25,000	-	-	2,122,482
-	-	-	-	-	-	-	(2,387,870)
-	-	17,498,982	-	-	-	-	17,498,982
-	-	-	-	-	-	-	(302,428)
40,000	-	17,498,982	-	25,000	-	-	16,931,166
(1,419,539)	(5,591,366)	16,554,967	-	50,445	1,978	(28,677)	10,800,200
2,686,251	16,692,540	-	-	-	2,168	31,201	24,840,076
$1,266,712	$11,101,174	$16,554,967	$ -	$ 50,445	$ 4,146	$ 2,524	$35,640,276

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

BALANCE SHEET
FIDUCIARY FUNDS
JUNE 30, 2004

	Agency				
	Associated Students Trust	Student Representation Fee	Student Financial Aid	Retiree Benefits	Total
ASSETS					
Cash and cash equivalents	$ 248,035	$ -	$ -	$ -	$ 248,035
Investments	4,221	83,192	37,474	748,660	873,547
Accounts receivable	5	261	58,928	2,644	61,838
Prepaid expenses	1,664	-	-	-	1,664
Total Assets	$ 253,925	$ 83,453	$ 96,402	$ 751,304	$ 1,185,084
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	-	-	54,235	1,648	55,883
Due to other funds	-	-	35,000	-	35,000
Deferred revenue	3,016	5,702	-	-	8,718
Due to student groups	250,909	77,751	-	-	328,660
Total Liabilities	$ 253,925	$ 83,453	89,235	1,648	428,261
FUND EQUITY					
Fund Balances					
Unreserved					
Designated			-	749,656	749,656
Undesignated			7,167	-	7,167
Total Fund Equity			7,167	749,656	756,823
Total Liabilities and Fund Equity			$ 96,402	$ 751,304	$ 1,185,084

See accompanying note to additional supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Student Financial Aid	Retiree Benefits	Total
REVENUES			
Federal revenues	$ 2,408,364	$ -	$ 2,408,364
State revenues	293,404	-	293,404
Local revenues	1,087	9,727	10,814
Total Revenues	2,702,855	9,727	2,712,582
EXPENDITURES			
Current Expenditures			
Employee benefits	-	122,195	122,195
Services and operating expenditures	3,735	-	3,735
Total Expenditures	3,735	122,195	125,930
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,699,120	(112,468)	2,586,652
OTHER FINANCING SOURCES (USES)			
Operating transfers in	27,188	240,000	267,188
Other uses	(2,728,955)	-	(2,728,955)
Total Other Financing Sources (Uses)	(2,701,767)	240,000	(2,461,767)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,647)	127,532	124,885
FUND BALANCE, BEGINNING OF YEAR	9,814	622,124	631,938
FUND BALANCE, END OF YEAR	$ 7,167	$ 749,656	$ 756,823

See accompanying note to additional supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2004

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The Fund Financial Statements provide information on the District's individual funds as reported to the State Chancellor's Office. These funds are presented on the modified accrual basis of accounting.

INDEPENDENT AUDITORS' REPORTS

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

Board of Trustees
Santa Clarita Community College District
Santa Clarita, California

We have audited the basic financial statements of Santa Clarita Community College District (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Santa Clarita Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting which we have reported to management of the District in a separate letter dated October 21, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Clarita Community College District's basic 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 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*.

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This report is intended solely for the information of the Board of Trustees, District Management, the California State Chancellor's Office, and the District's 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 21, 2004

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Santa Clarita Community College District
Santa Clarita, California

Compliance

We have audited the compliance of Santa Clarita Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2004. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Santa Clarita Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Santa Clarita Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Santa Clarita Community College District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, District Management, the California State Chancellor's Office, and the District's 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 21, 2004

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Santa Clarita Community College District
Santa Clarita, California

We have audited the financial statements of the Santa Clarita Community College District for the year ended June 30, 2004, and have issued our report thereon dated October 21, 2004.

Our audit was made in accordance with auditing standards generally accepted in the United States of America, and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM).*

General Directives

MIS Implementation - Required Data Elements

Compliance Requirement

Each district shall have the ability to support timely, accurate, and complete information for the following workload measures used in the calculation of State General Apportionment:

- Credit Full-Time Equivalent Student (FTES) is weekly census, daily census, actual hour of attendance, and apprenticeship courses.
- Noncredit FTES in actual hours of attendance courses.
- Credit Student Headcount Data.
- Gross square footage and FTES growth in leased facilities.

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Administrative

Fiscal Operations - Salaries of Classroom Instructors (50 Percent Law)

Compliance Requirement

Each district's salaries of classroom instructors shall equal or exceed 50 percent of the district's current expense of education in accordance with Section 84362 of the *California Education Code.*

Fiscal Operation - Gann Limit Calculation

Compliance Requirement

Each district shall calculate and adopt an appropriation limit annually in a public meeting. The calculation and adoption shall be verified by certified public accountants as part of the annual audit of financial statements.

Apportionments - Students Actively Enrolled

Compliance Requirement

Each district shall claim, for apportionment purposes only, the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).

Apportionments - Enrollment Fees

Compliance Requirement

Community colleges are required to report the total amount students should have paid for enrollment fees for the purpose of determining each district's share of apportionment revenue.

Apportionment - Instructional Service Agreements/Contracts

Compliance Requirement

Community colleges may claim FTES for classes given at a contractor's site and use the contractor's employees as instructors for the classes if the following requirements are met:

- Programs must be approved by the State Chancellor's Office and courses must be part of those approved programs, or the District must have received delegated authority to separately approve those courses.
- Courses must be open to the general public.
- Students must be under the immediate supervision of a District employee.
- The District employee must possess valid credentials or meet the minimum qualifications required for the assignment.

Apportionment - Residency Determination for Credit Classes

Compliance Requirement

District internal fiscal controls should ensure that State apportionment for credit course is only claimed for student attendance allowed by statute and regulation. Student residence at the time of registration is a major factor for allowing districts to claim State apportionment for credit courses.

Apportionment - Concurrent Enrollment of K-12 Students in Community College Courses

Compliance Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with all related California Education Code sections.

Open Enrollment

Compliance Requirement

Community colleges shall comply with Title 5 provisions of the *California Code of Regulations* related to open enrollment by the general public for all courses being submitted for State apportionment funding.

Student Services

Uses of Matriculation Funds

Compliance Requirement

The District is required to use local funds to support at least 75 percent of the matriculation activities with the remaining expenditures claimable against the State matriculation allocation. All expenditures related to the allocation, both State and locally funded portions, must be consistent with the District's State-approved matriculation plan and identifiable as matriculation related activities as authorized by the Seymour-Campbell Matriculation Act of 1986.

Special Programs

Extended Opportunity Programs and Services - (EOP&S) - Allocation of Costs

Compliance Requirement

Salaries of instructors teaching FTES generating classes, school counselors providing academic advisement, Student Services at the Dean level or above, and financial aid officers conducting need analysis are not considered supportable charges against EOP&S accounts unless their activities require them to perform additional functions for the EOP&S program that are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S.

Extended Opportunity Programs and Services (EOP&S) - Administrator/Director Requirements

Compliance Requirement

Districts accepting EOP&S funds are required to contribute from non-EOP&S sources the salary of the EOP&S administrator/director at the rate of 100 percent of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over and above general supervision of EOP&S activities.

Facilities Program

Scheduled Maintenance Program

Compliance Requirement

Funds provided by the State must be used to supplement, not supplant, District deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and District's match for the Scheduled Maintenance Program for the year being audited.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the Santa Clarita Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2004.

This report is intended solely for the information of the Board of Trustees, District Management, audit committee, and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 21, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2004

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reporting conditions identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Reporting conditions identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.033, 84.063, 84.007, and 84.032	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Reporting conditions identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for State programs:	Unqualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004

There were no findings representing reportable conditions, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

There were no findings representing reportable conditions, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

There were no findings representing instances of noncompliance and/or questioned costs relating to State program laws and regulations.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

There were no audit findings reported in the prior year's schedule of audit findings and questioned costs.