

**SANTA CLARITA
COMMUNITY COLLEGE DISTRICT**

**MEASURE C GENERAL OBLIGATION BONDS
WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2005

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

JUNE 30, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Citizen's Oversight Committee
Santa Clarita Community College District
Santa Clarita, CA

We have audited the accompanying financial statements of the Measure C General Obligation Bonds (the Bond Funds) of Santa Clarita Community College District (the District) as of June 30, 2005, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. 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 audit provides a reasonable basis for our opinion.

As discussed in Note #1 of the Notes to Financial Statements, the financial statements present only the Bond Funds and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, as discussed in Note #2 of the Notes to Financial Statements, the Bond Funds' financial statements are prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified cash basis of the Measure C General Obligation Bonds of Santa Clarita Community College District as of June 30, 2005, and the results of its operations - modified cash basis for the year then ended, in conformity with the basis of accounting described in Note #2.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2005, 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, contract and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The District has not presented management's discussions and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Waurinek Irine Day, Co. LLP

Rancho Cucamonga, California
September 10, 2005

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**BALANCE SHEET - MODIFIED CASH BASIS
JUNE 30, 2005**

	GO Bond Series 2002	GO Bond Series 2003	GO Bond Series 2005 Refunding
ASSETS			
Investments	\$ 1,838,845	\$ 16,298,739	\$ -
Accounts receivable	14,822	129,219	2,058
Total Assets	\$ 1,853,667	\$ 16,427,958	\$ 2,058
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	1,853,667	-	2,058
FUND EQUITY			
Fund Balances			
Unreserved			
Designated	-	16,427,958	-
Total Liabilities and Fund Equity	\$ 1,853,667	\$ 16,427,958	\$ 2,058

See the accompanying notes to financial statements.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005**

	GO Bond Series 2002	GO Bond Series 2003	GO Bond Series 2005 Refunding
REVENUES			
Local revenues	\$ 125,719	\$ 376,186	\$ 2,058
EXPENDITURES			
Current Expenditures			
Services and operating expenditures	102,450	1,879	363,864
Salaries and benefits	76,675	-	-
Capital outlay	11,047,768	501,316	2,912,590
Debt service - principal	-	-	15,360,000
Debt service - interest and other	-	-	1,370,909
Total Expenditures	<u>11,226,893</u>	<u>503,195</u>	<u>20,007,363</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,101,174)</u>	<u>(127,009)</u>	<u>(20,005,305)</u>
OTHER FINANCING SOURCES (USES)			
Other sources	-	-	<u>20,005,305</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(11,101,174)	(127,009)	-
FUND BALANCE, BEGINNING OF YEAR	<u>11,101,174</u>	<u>16,554,967</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 16,427,958</u>	<u>\$ -</u>

See the accompanying notes to financial statements.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE #1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Measure C General Obligation Bonds (the Bond Funds) are governmental funds of Santa Clarita Community College District (the District). These funds are used to account for the activity of the Proposition 39 Measure C General Obligation Bonds approved by the voters of the District. These financial statements present only the Bond Funds and do not purport to, and do not, present fairly the financial position of the District and the changes in its financial position in conformity with accounting standards generally accepted in the United States of America.

NOTE #2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Financial Statement Presentation

The financial statements of the Bond Funds have been prepared on the modified cash basis of accounting. The statement of activities is a statement of financial activities related to the current reporting period. Using this method, revenues are recognized when they are both measurable and available, and expenses are recognized when goods are received or services are rendered.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE #3 - INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to 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.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Summary of Investments

Investments as of June 30, 2005, consist of the following:

Investments		<u>\$18,137,584</u>
Total Deposits and Investments		<u><u>\$18,137,584</u></u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in money market funds and the County Pool. The District has deposited all bond funds in the Los Angeles County Pool.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
County Pool - Los Angeles	\$17,852,914	132 days *
Total	\$17,852,914	

* Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2005
County Pool - Los Angeles	\$17,852,914	Not required	Not rated
Total	\$17,852,914		

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE #4 - ACCOUNTS PAYABLE

The accounts payable at June 30, 2005, in the amount of \$1,853,667 represents amounts owed to vendors for both ongoing and completed construction projects.



**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
, California

We have audited the financial statements of Santa Clarita Community College District (the District) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated September 28, 2005. 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.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Vaurinek, Irine, Day & Co. LLP

Rancho Cucamonga, California
September 28, 2005