

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

**FINANCIAL AUDIT
WITH INDEPENDENT AUDITORS' REPORT
AND
INDEPENDENT AUDITORS' REPORT
ON PERFORMANCE AUDIT**

JUNE 30, 2011

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

JUNE 30, 2011

CONTENTS

INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Balance Sheet - Modified Accrual Basis.....	2
Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Accrual Basis.....	3
Notes to Financial Statements.....	4
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 <i>GOVERNMENT AUDITING STANDARDS</i>	10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
Financial Statement Findings and Recommendations.....	12
Summary Schedule of Prior Audit Findings.....	13

**SANTA CLARITA
COMMUNITY COLLEGE DISTRICT**

MEASURE M GENERAL OBLIGATION BONDS

**FINANCIAL AUDIT
WITH INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2011



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Citizens' Oversight Committee
Santa Clarita Community College District
Santa Clarita, California

We have audited the accompanying financial statements of the Measure M General Obligation Bonds (the Bond Fund) of Santa Clarita Community College District (the District) as of and for the year ended June 30, 2011, 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 Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2011, 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 1 of the Notes to Financial Statements, the Bond Fund's financial statements are prepared on the modified accrual 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 accrual basis of the Measure M General Obligation Bonds of Santa Clarita Community College District as of June 30, 2011, and the results of its operations - modified accrual basis for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011, on our consideration of the District's internal control over financial reporting for the Bond Funds 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 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 conjunction with this report in considering the results of our audit.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
December 23, 2011

This page left blank intentionally.

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

**BALANCE SHEET - MODIFIED ACCRUAL BASIS
JUNE 30, 2011**

	<u>2007 Series GO Bonds</u>
ASSETS	
Investments	\$ 11,821,258
Accounts receivable	38,942
Total Assets	<u>\$ 11,860,200</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable and accrued liabilities	<u>\$ 1,406,635</u>
 FUND BALANCE	
Unreserved	
Designated	10,453,565
Total Liabilities and Fund Balance	<u>\$ 11,860,200</u>

See the accompanying notes to financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	2007 Series GO Bonds
REVENUES	
Local revenues	<u>\$ 231,482</u>
EXPENDITURES	
Classified salaries	48,363
Employee benefits	16,708
Services and operating expenditures	10,800
Capital outlay	<u>12,025,161</u>
Total Expenditures	<u>12,101,032</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(11,869,550)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>22,323,115</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 10,453,565</u></u>

See the accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of Santa Clarita Community College District Bond Funds (the Bond Funds) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. Santa Clarita Community College District Bond Funds account for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the Bond Funds of the Santa Clarita Community College District used to account for Proposition 39 projects. These funds were established to account for the expenditures of general obligation bonds issued under the Proposition 39 Measure M General Obligation Bonds. These financial statements are not intended to present fairly the financial position and results of operations of Santa Clarita Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Bond Funds are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Bond Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Encumbrances

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

Fund Balance Designations

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

NOTE 2 - 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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 Corporate 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

Summary of Investments

Investments as of June 30, 2011, consist of the following:

	<u>Reported Value</u>
Los Angeles County Investment Pool	<u>\$ 11,821,258</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 investing in the County Pool.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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
Los Angeles County Investment Pool	\$ 11,826,261	600 Days *

* 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. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2011.

NOTE 3 - ACCOUNTS RECEIVABLE

The accounts receivable at June 30, 2011, in the amount of \$38,942 represents interest earnings that have yet to be received. All amounts have been determined by management to be fully collectable.

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2011, represent amounts owed to vendors for both ongoing and completed construction projects in the amount of \$1,406,635.

NOTE 5 - FUND BALANCE

Fund balance is composed of the following element:

Unreserved	
Designated	\$ 10,453,565

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, the Bond Funds (Measure M) had the following commitments with respect to unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Administration Building	\$ 655,400	June 2013
CCC - Applied Tech Building	655,312	December 2011
CCC - Modernization	14,000	March 2012
Culinary Arts Building	258,853	June 2013
Library Addition - Construction	2,605,157	September 2012
	<u>\$ 4,188,722</u>	

Litigation

The District is not currently a party to any legal proceedings.



**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
Citizens' Oversight Committee
Santa Clarita Community College District
Santa Clarita, California

We have audited the accompanying financial statements of the Measure M General Obligation Bonds (the Bond Funds) of Santa Clarita Community College District (the District) for the year ended June 30, 2011, and have issued our report thereon dated December 23, 2011. 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

The management of Santa Clarita Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Santa Clarita Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Bond Funds' financial statements, but not for the purpose of expressing an opinion on the effectiveness of Santa Clarita Community College District's internal control over the Bond Funds' financial reporting. Accordingly, we do not express an opinion on the effectiveness of Santa Clarita Community College District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Santa Clarita Community College District's Bond Funds' financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Clarita Community College District's Bond Funds' 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 and use of the Board of Trustees, District Management, and the Citizens' Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Jaime, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 23, 2011

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

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

None reported.

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

**INDEPENDENT AUDITORS' REPORT
ON PERFORMANCE AUDIT**

JUNE 30, 2011

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

PERFORMANCE AUDIT

JUNE 30, 2011

CONTENTS

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE AUDIT	14
Authority for Issuance	15
Purpose of Issuance	15
Authority for the Audit	15
Objectives of the Audit	16
Scope of the Audit	16
Procedures Performed	16
Conclusion	20
Schedule of Findings and Questioned Costs	21
Summary Schedule of Prior Audit Findings	22



**INDEPENDENT AUDITORS' REPORT
ON PERFORMANCE AUDIT**

Board of Trustees
Citizens' Oversight Committee
Santa Clarita Community College District
Santa Clarita, California

We were engaged to conduct a performance audit of Santa Clarita Community College District (the District) Proposition 39 Measure M General Obligation Bond Funds (the Bond Funds) for the year ended June 30, 2011.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Proposition 39 Measure M General Obligation Bond Funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 23, 2011

This page left blank intentionally.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND**

**PERFORMANCE AUDIT
JUNE 30, 2011**

AUTHORITY FOR ISSUANCE

The General Obligation Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code* and other applicable provisions of law.

The Bonds are authorized to be issued by a resolution adopted by the City and County Board of Supervisors adopted on March 27, 2007, pursuant to resolutions of the Board of Trustees of the District adopted on March 14, 2007 (the Resolution). The District received authorization at an election held on November 7, 2006, to issue Bonds of the District in an aggregate principal amount not to exceed \$160,000,000 to finance the construction, improvement, and repair of certain District facilities, the acquisition of equipment, and the improvement of aging plumbing, roofing, electrical, and earthquake safety systems, and to pay all legal financial and contingent costs in connection with the issuance of the Bonds. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2006 Authorization). The District received net proceeds of approximately \$80 million from the Bond issuance under the 2006 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under the 2006 Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include the financing of the construction, improvement, and repair of certain District facilities, the acquisition of equipment, and the improvement of aging plumbing, roofing, electrical, and earthquake safety systems, and to pay all legal financial and contingent costs in connection with the issuance of the Bonds.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.
3. Requires the community college district to appoint a citizens' oversight committee.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND**

**PERFORMANCE AUDIT
JUNE 30, 2011**

4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Bond Funds have been made in accordance with the Bond project list approved by the voters through the approval of the Measure M.
2. Determine whether salary transactions charged to the Bond Funds were in support of Measure M and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2010 to June 30, 2011. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2011, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011, for the Bond Funds (Measure M). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the Measure M as to the approved Bond projects list. We performed the following procedures:

1. We reviewed the general ledger and noted that funds were accounted for separately in the accounting records to allow for accountability.
2. We selected a total of 79 percent of all expenditures, which in part included all materially significant expenditures charged to the Bond Funds. For the items selected for testing, there were no exceptions noted in the District's procedures related to the disbursement of Measure M Bond Funds. The District utilizes purchase orders to document the approval process for Bond disbursements and uses encumbrance accounting to ensure all approved disbursements have been budgeted and funds are available. Documentation to support transactions including approved original invoices and specific documentation related to bid procedures were reviewed to ensure compliance with Proposition 39 regulations and Board policies related to purchasing and contracts. Budgets for specific projects have been approved and monitored in accordance with Bond requirements.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND**

**PERFORMANCE AUDIT
JUNE 30, 2011**

3. We selected all employees charged to the Bond Funds. For the employees selected for testing, there were no exceptions noted in the District's procedures related to the disbursement of Measure M Bond Funds. The District approves all employees charged to the Bond Funds and uses encumbrance accounting to ensure all approved disbursements have been budgeted and funds are available. Documentation to support payroll transactions included personnel files and payroll records.

Fund 46

<u>Description</u>	<u>Expenditures Incurred</u>	<u>Expenditures Tested</u>	<u>Percentage of Total</u>
Classified Salary Expense	\$ 48,363	\$ 48,363	100%
Classified Benefits Expense	16,708	16,708	100%
Service and Operating Expenditures	10,800	10,800	100%
Capital Outlay	12,025,161	9,474,868	79%
Total	\$ 12,101,032	\$ 9,550,739	79%

This page left blank intentionally.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND**

**PERFORMANCE AUDIT
JUNE 30, 2011**

4. We prepared a schedule of all costs incurred between July 1, 2010 and June 30, 2011, by project, for the local bond measure funding and totaling inception-to-date expenses.

2006 General Obligation Bonds Fund 46	July 1, 2010 to June 30, 2011 Actual Expenses	Inception-to-Date Expenses June 30, 2011
University Center - East Wing	\$ 42,980	\$ 3,436,641
University Center - West Wing	96,388	3,879,943
Health and Safety	-	44,430
Library Expansion	1,320,948	2,108,778
Canyon Country Campus	-	32,011,265
Repairs and Modernization	356,347	4,349,103
Site Upgrades	158,802	1,600,750
Technology	385,225	1,126,243
Planned Equip and Tech Replacement	202,522	1,053,706
Hotel Restaurant Management	-	6,817
Student Services Admin Building	271,180	335,718
Culinary Arts Building	59,762	59,762
Mentry Hall	2,983,168	12,428,583
Advanced Technology Building	4,656,524	6,521,317
Canyon Country Campus Parking Lot #2	-	1,050,875
Secondary Effects:		
Mentry Hall	1,451,900	1,877,440
First Floor Bonelli Hall	-	1,284,215
Third Floor Bonelli Hall	-	228,222
Student Center	-	19,190
Student Support Center	-	257,326
Modular Renovation	-	88,746
Miscellaneous Projects	39,414	156,882
Management Personnel - Bond Implementation	65,072	399,423
Master Plans	-	273,000
Miscellaneous Expenses	10,800	43,860
Cost of Issuance and Other Uses	-	2,602,721
Total	\$ 12,101,032	\$ 77,244,956

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND**

**PERFORMANCE AUDIT
JUNE 30, 2011**

5. We prepared a schedule of all projects started and/or completed since the inception of the bond and the total costs incurred from the inception of the bond.

<u>Project Description</u>	<u>Total Estimated Cost of Project ¹</u>	<u>Total Anticipated Contributions from Other Sources ¹</u>	<u>Total Estimated Measure M Contribution First Issuance ¹</u>
Library Expansion (Project also funded using Measure C)	\$ 15,939,000	\$ 9,452,854	\$ 6,486,146
Canyon Country Campus (Site development, modulars, and expanded scope) (Project also funded using Measure C)	58,011,265	26,000,000	32,011,265
University Center - East Wing (Project also funded using Measure C)	30,704,793	27,268,152	3,436,641
University Center - West Wing	9,110,188	5,230,245	3,879,943
Repairs and Renovations	9,774,092	-	4,399,092
Site Upgrades	5,900,750	-	1,600,750
Health and Safety	3,894,430	-	44,430
Technology	3,426,108	-	1,176,108
Hotel Restaurant Management - New Kitchen	6,817	-	6,817
Del Valle Public Safety Training Facility	15,000,000	-	-
Student Services Admin Building	17,156,000	7,091,000	1,000,000
Culinary Arts Building	6,700,000	2,075,000	3,000,000
Mentry Hall	12,428,583	-	12,428,583
Advanced Technology Building - Canyon Country Campus	7,179,531	-	7,179,531
Canyon Country Campus Parking Lot #2	1,050,875	-	1,050,875
Canyon Country Campus - Permanent Building 1	16,602,000	13,250,000	-
Canyon Country Campus - Permanent Building 2	24,576,000	20,890,000	-
Canyon Country Campus - Permanent Building 3	21,000,000	16,800,000	-
Secondary Effects:			
Mentry Hall	1,877,440	-	1,877,440
First Floor Bonelli Hall	1,284,215	-	1,284,215
Second Floor Bonelli Hall	1,500,000	-	-
Third Floor Bonelli Hall	228,222	-	228,222
First Floor Seco Building	750,000	-	-
Student Center (S-130)	19,190	-	19,190
Student Support Center (formerly Interim UC)	257,326	-	257,326
Modular Renovations	88,746	-	88,746
Miscellaneous Secondary Effects Projects	156,882	-	156,882
Future Planned Equipment and Tech Replacement	7,226,863	-	1,796,863
Debt Service - Existing COPSS	15,125,000	-	-
Management Personnel - Bond Implementation	1,499,423	-	399,423
Master Plans	273,000	-	273,000
Costs of Issuances	2,602,721	-	2,602,721
Miscellaneous Expenses	109,260	-	43,860
Subtotal	<u>291,458,720</u>	<u>128,057,251</u>	<u>86,728,069</u>
Add Contingency	<u>5,922,052</u>	<u>-</u>	<u>970,452</u>
	<u>\$ 297,380,772</u>	<u>\$ 128,057,251</u>	<u>\$ 87,698,521</u>

¹ Estimates updated by District personnel through August 15, 2011. These estimates were not subject to verification.

² Actual costs incurred through June 30, 2011.

Total Estimated Measure M Contributions Future Issuances ¹	Total GO Bond Expenditures Through June 30, 2011 ²	Total Remaining GO Bond Balance Outstanding ¹
\$ -	\$ 2,108,778	\$ 4,377,368
-	32,011,265	-
-	3,436,641	-
-	3,879,943	-
5,375,000	4,349,103	49,989
4,300,000	1,600,750	-
3,850,000	44,430	-
2,250,000	1,126,243	49,865
-	6,817	-
15,000,000	-	-
9,065,000	335,718	664,282
1,625,000	59,762	2,940,238
-	12,428,583	-
-	6,521,317	658,214
-	1,050,875	-
3,352,000	-	-
3,686,000	-	-
4,200,000	-	-
-	1,877,440	-
-	1,284,215	-
1,500,000	-	-
-	228,222	-
750,000	-	-
-	19,190	-
-	257,326	-
-	88,746	-
-	156,882	-
5,430,000	1,053,706	743,157
13,500,000	-	-
1,100,000	399,423	-
-	273,000	-
-	2,602,721	-
65,400	43,860	-
<u>75,048,400</u>	<u>77,244,956</u>	<u>9,483,113</u>
<u>4,951,600</u>	<u>-</u>	<u>970,452</u>
<u>\$ 80,000,000</u>	<u>\$ 77,244,956</u>	<u>\$ 10,453,565</u>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BOND**

**PERFORMANCE AUDIT
JUNE 30, 2011**

6. We calculate the balance available for expenditure of bond proceeds related to the approved projects within the bond project fund at June 30, 2011. As stated in the District's audited financial statements as of June 30, 2011, the expenditures from the Measure M Bond Funds were \$12,101,032 for fiscal year 2010-2011, and total \$77,244,956 to date. Bond proceeds received to date total \$82,599,990, and interest revenue earned to date of \$5,098,531 provide \$10,453,565 from the initial issuances available for future expenditures. There were no adjustments to the District's financial records as a result of our procedures.

CONCLUSION

The results of our tests indicated that, in all significant respects, Santa Clarita Community College District has properly accounted for the expenditures held in the Bond Funds (Measure M) and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Bond Funds (Measure M), and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

None reported.