

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUND**

GENERAL OBLIGATION BONDS
FINANCIAL STATEMENT REPORT
WITH
REPORT OF INDEPENDENT AUDITORS' ON
AGREED-UPON PROCEDURES

JUNE 30, 2003

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

JUNE 30, 2003

Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
General Obligation Bonds	
Balance Sheet	2
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	3
Notes to Financial Statements	4
Agreed-Upon Procedures Report.....	7



INDEPENDENT AUDITORS' REPORT

Santa Clarita Community College District
Governing Board and Independent Citizen's
Oversight Committee
Santa Clarita, California

We have audited the accompanying financial statements of the General Obligation Bond Fund of the Santa Clarita Community College District as of the year ended June 30, 2003, 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. 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, the financial statements present only the General Obligation Bond Fund and do not purport to, and do not, present fairly the financial position of the Santa Clarita Community College District as of June 30, 2003, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bond Fund of the Santa Clarita Community College District at June 30, 2003, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 31, 2003

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUND**

**BALANCE SHEET
JUNE 30, 2003**

	Revenue Bond Construction
ASSETS	
Investments	\$ 16,962,770
Accounts receivable, net	68,160
TOTAL ASSETS	<u>17,030,930</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	338,390
TOTAL LIABILITIES	<u>338,390</u>
FUND EQUITY	
Fund Balances:	
Designated	16,692,540
TOTAL FUND EQUITY	<u>16,692,540</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 17,030,930</u></u>

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

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUND**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
JUNE 30, 2003**

	Revenue Bond Construction
REVENUES	
Local revenues	\$ 363,744
TOTAL REVENUES	<u>363,744</u>
EXPENDITURES	
Current Expenditures:	
Services and operating expenditures	45,864
Capital outlay	4,046,894
TOTAL EXPENDITURES	<u>4,092,758</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,729,014)
FUND BALANCE, BEGINNING OF YEAR	<u>20,421,554</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 16,692,540</u></u>

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

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Santa Clarita Community College District General Obligation Bond Fund conforms 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 (AICPA). The Santa Clarita Community College District General Obligation Bond Fund accounts for financial transactions in accordance with the policies and procedures of the California State Chancellor's Office Budget and Accounting Manual.

A. Financial Reporting Entity

The audited financial statements include only the General Obligation Bond Fund of the Santa Clarita Community College District (the District) that was established to account for the expenditures of the general obligation bonds approved by the local voters in November 2001 and issued in March 2002. These financial statements are not intended to present fairly the financial position and the changes in financial position of the Santa Clarita Community College District as a whole in compliance with accounting principles generally accepted in the United States of America.

B. Fund Accounting

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

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

E. 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.

NOTE #2 – INVESTMENTS

Investments at June 30, 2003, held on behalf of the General Obligation Bond Fund of the District consist of deposits in the County of Los Angeles Treasury:

	Reported Amount	Fair Value
Deposits with county treasurer	<u>\$ 16,962,770</u>	<u>\$ 16,968,707</u>

Deposits with county treasurer is an external investment pool sponsored by the County of Los Angeles. The District is considered to be an involuntary participant in an external investments pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE #3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2003, consist of the following:

Interest	<u>\$ 68,160</u>
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**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #4 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2003, consists of the following:

Vendor payables	<u>\$ 338,390</u>
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NOTE #5 – FUND BALANCE

Fund balance is composed of the following element:

Unreserved	
Undesignated	<u>\$ 16,692,540</u>

**AGREED-UPON PROCEDURES
REPORT**



Santa Clarita Community College District
Governing Board and
Independent Citizen's Oversight Committee
Santa Clarita CA

We have performed the Agreed-Upon Procedures enumerated in Exhibit A, which were agreed to by the management of the Santa Clarita Community College District (the District) for the purpose of determining compliance with General Obligation Bond requirements for the period ended June 30, 2003. Management is responsible for the District's compliance with those requirements. This engagement to perform Agreed-Upon Procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and meets the compliance requirements to perform an "audit" as outlined in subparagraph (c) of paragraph (3) subdivision (b) of Section 1 Article XIIA of the California Constitution. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the results of findings and recommendations are described within this report.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Santa Clarita Community College District Governing Board and the Independent Citizen's Oversight Committee and should not be used by anyone other than those specified parties.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 31, 2003

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND FUND**

AGREED-UPON PROCEDURES REPORT

EXHIBIT A

- A. Obtain an understanding of the internal control over the disbursement process for the Bond Funds.
- B. Determine District procedures for disbursement of Bond Funds were applied in accordance with laws and regulations, as well as approved Board policies.
- C. Review compliance with expenditure allowances within the General Obligation Bond Initiative dated May 1, 2002.
- D. Test appropriateness of Bond expenditures to the object code classification within the general ledger.
- E. Verify the balance of General Obligation Bond Funds available at June 30, 2003, for future expenditures.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BOND

AGREED-UPON PROCEDURES REPORT

RESULTS OF AGREED-UPON PROCEDURES

- A. We gained an understanding of the internal control structure over the disbursement process for the General Obligation Bond Fund through inquiry of District Business Office staff, analysis of procedures in place, and testing of the internal controls in place. As a result of our procedures, nothing came to our attention to indicate the District's procedures related to the disbursement process were not functioning as intended.
- B. We tested actual invoices paid from the General Obligation Bond Fund to determine the District's procedures for disbursement were applied in accordance with laws and regulations, as well as approved Board policies. We selected 105 individual disbursements, which represented 54 percent of all dollars paid through the General Obligation Bond Fund during the period July 1, 2002 through June 30, 2003, (\$2,191,167 tested vs. \$4,092,757 total expended). As a result of our procedures, nothing came to our attention to indicate the District had failed to comply with prescribed laws and regulations as noted in related to the voter approved initiative to authorize the sale and use of General Obligation Bonds, as well as subparagraph (c) of paragraph (3) subdivision (b) of Section 1 Article XIIA of the California Constitution or the District's Board approved policies and procedures related to disbursement of funds.
- C. For each of the disbursements tested in item B above, we reviewed compliance with expenditure allowances within the General Obligation Bond Initiative dated May 1, 2002. Expenditures were tested to determine whether they met the criteria for the approved projects within the Bond initiative document. As a result of our testing, nothing came to our attention to indicate the expenditures tested were not in compliance with the projects noted within the General Obligation Bond Initiative dated May 1, 2002.

The following summary provides the detail of the projects and disbursements selected for testing:

Vocational/Technical Expansion Projects	\$ 867,218
Scheduled Maintenance Projects	32,745
Music/Dance Building	214,731
Canyon Country Education Center	17,385
Architectural Barrier Removal	43,625
Artificial Turf	1,012,063
Track Resurfacing	3,400
Total Expenditures Tested	<u>\$ 2,191,167</u>

- D. For each of the disbursements tested in item B above, we tested the appropriateness of the expenditure to the object code classification within the general ledger as defined by the California School Accounting Manual. As a result of our procedures, nothing came to our attention to indicate the expenditures had been improperly coded to the correct object code.
- E. We recalculated the balance of the General Obligation Bond Fund available for expenditure at June 30, 2003. As a result of our recalculation, the ending balance in the General Obligation Bond Fund at June 30, 2003, is \$16,692,540. There were no adjustments proposed to management as a result of our procedures.