

**MEASURE C2004 BOND BUILDING FUND OF
SANTA MARIA JOINT UNION
HIGH SCHOOL DISTRICT**

AUDIT REPORT

**For the Fiscal Year Ended
June 30, 2010**

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended June 30, 2010
Table of Contents**

	<u>Page</u>
Introduction and Citizens' Bond Oversight Committee Member Listing.....	1
Independent Auditor's Report.....	2
FINANCIAL SECTION	
Balance Sheet.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Notes to Financial Statements.....	6
OTHER INDEPENDENT AUDITOR'S REPORTS	
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>	12
Independent Auditor's Report on Performance.....	14
FINDINGS AND RESPONSES SECTION	
Schedule of Findings and Responses.....	18
Schedule of Prior Year Audit Findings.....	19

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
Introduction and Citizens' Bond Oversight Committee Member Listing
June 30, 2010**

The Santa Maria Joint Union High School District (the "District") began operations in 1891 under the laws of the State of California. This District operates under a locally elected five-member Board form of government and provides educational services to grades 9 – 12 as mandated by the State and Federal agencies. The District operates three high schools and one continuation high school.

In November 2004, the voters of Santa Barbara County approved by more than the required 55% favorable vote, Measure C2004, authorizing the issuance and sale of general obligation bonds, not to exceed \$79,000,000. Measure C2004 is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Measure C2004 bonds were issued by the District, through the County of Santa Barbara. On February 10, 2005, Series 2005 of the Measure C2004 bond authorization was issued, which consisted of current interest and capital appreciation bonds with an initial par amount of \$34,998,222 with stated interest rates of 3.0% to 5.0% and maturing through February 1, 2030. As of June 30, 2010, the principal balance outstanding on the Measure C2004 Series 2005 bonds, excluding accreted interest to date, was \$31,978,222.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure C2004 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2010:

<u>Name</u>	<u>Title</u>
Arthur Scheithauer	Chair
Richard Velasco	Vice Chair
Shirleen Sladek	Secretary
Robin Hayhurst	Member
Jon Lindgren	Member
Ailina Mahelona	Member
Daniel Payne	Member
George Risher	Member
Alesia Yglesias	Member

Governing Board Members and
Measure C2004 Citizens' Bond Oversight Committee of
Santa Maria Joint Union High School District
Santa Maria, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of the Measure C2004 Bond Building Fund of Santa Maria Joint Union High School District (the "District") as of June 30, 2010, and the related statement of revenues, expenditures and changes in fund balance for the fiscal year ended June 30, 2010. 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. 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 1A, the financial statements present only the individual Measure C2004 Bond Building Fund, consisting of the net construction proceeds of Measure C2004 Series 2005 general obligation bonds as issued by the District, through the County of Santa Barbara, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure C2004 Bond Building Fund of Santa Maria Joint Union High School District as of June 30, 2010, and the results of its operations for the fiscal year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010, on our consideration of Santa Maria Joint Union High School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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.

Christy White Accountancy Corporation

San Diego, California
November 22, 2010

Financial Section

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
Balance Sheet
June 30, 2010**

ASSETS	
Cash in county treasury, net of fair value adjustment	\$ 11,028,377
Accounts receivable	27,541
	<hr/>
Total Assets	\$ 11,055,918
	<hr/> <hr/>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 549,567
	<hr/>
Total Liabilities	549,567
	<hr/>
Fund Balance	
Unreserved	10,506,351
	<hr/>
Total Liabilities and Fund Balance	\$ 11,055,918
	<hr/> <hr/>

The accompanying notes to financial statements are an integral part of this statement.

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2010**

REVENUES	
Other local revenue	\$ 79,806
Total Revenues	<u>79,806</u>
EXPENDITURES	
Facilities acquisition and construction	<u>5,101,343</u>
Total Expenditures	<u>5,101,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,021,537)
OTHER FINANCING SOURCES	
Interfund transfers in	<u>21,909</u>
Total Other Financing Sources	<u>21,909</u>
Net Change in Fund Balance	(4,999,628)
Fund Balance, July 1, 2009	<u>15,505,979</u>
Fund Balance, June 30, 2010	<u><u>\$ 10,506,351</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Santa Maria Joint Union High School District (the “District”) began operations in 1891 under the laws of the State of California. This District operates under a locally elected five-member Board form of government and provides educational services to grades 9 – 12 as mandated by the State and Federal agencies. The District operates three high schools and one continuation high school.

On November 2, 2004 the District voters authorized \$79 million in General Obligation Bonds (Measure C2004) to construct a new high school to alleviate student overcrowding; upgrade classrooms; improve health/safety; provide additional access to computer technology; replace portable classrooms with permanent construction; acquire, construct and improve school facilities; and make the District eligible for approximately \$30 million in State grants.

An advisory committee to the District’s Governing Board and Superintendent, called the Measure C2004 Citizens’ Bond Oversight Committee was established pursuant to the requirements of State law and the provisions of Measure C2004. The Committee’s oversight goals include: advising on bond construction priorities, reviewing bond construction plans, reviewing project plans and budgets, and ensuring compliance with the provisions of Measure C2004.

The statements presented are for the individual Measure C2004 Bond Building Fund of the District, consisting of the net construction proceeds of Measure C2004 Series 2005 general obligation bonds as issued by the District, through the County of Santa Barbara, and are not intended to be a complete presentation of the District’s financial position or results of operations.

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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.

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

E. Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains a portion of its cash in the Santa Barbara County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as cash in county treasury for \$11,028,377.

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. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

Cash 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.

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

<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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

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 Treasury. The District maintains an investment with the Santa Barbara County Investment Pool with a fair value of approximately \$11,028,377 and an amortized book value of \$10,961,588. The weighted average maturity for this pool as of June 30, 2010 was 391 days.

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010**

NOTE 2 – CASH AND INVESTMENTS (continued)

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. Per County investment policy, long-term investments within the Santa Barbara County Investment Pool are rated AA or higher by at least two of the three national rating agencies.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010 consist of interest earned on the District's investment in the County Treasury.

NOTE 4 – CONSTRUCTION COMMITMENTS

The Measure C2004 Bond Building Fund had construction commitments of \$3,164,347 as of June 30, 2010.

NOTE 5 – MEASURE C2004 GENERAL OBLIGATION BONDS

As of June 30, 2010, the principal balance outstanding on the District's Measure C2004 Series 2005 general obligation bonds, including accreted interest to date, was \$33,468,014.

- On February 10, 2005, Series 2005 bonds of the Measure C2004 bond authorization were issued, which consisted of current interest and capital appreciation bonds with an initial par amount of \$34,998,222 with stated interest rates of 3.0% to 5.0% and maturing through February 1, 2030.

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010**

NOTE 5 – MEASURE C2004 GENERAL OBLIGATION BONDS (continued)

The annual requirements to amortize all Measure C2004 Series 2005 general obligation bonds payable outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal *</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 105,000	\$ 1,125,366	\$ 1,230,366
2012	235,000	1,120,266	1,355,266
2013	370,000	1,111,191	1,481,191
2014	520,000	1,097,516	1,617,516
2015	680,000	1,078,511	1,758,511
2016-2020	6,290,000	4,825,736	11,115,736
2021-2025	12,565,000	3,007,059	15,572,059
2026-2030	10,731,453	12,244,006	22,975,459
2031	481,769	946,616	1,428,385
Total	\$ 31,978,222	\$ 26,556,267	\$ 58,534,489

* Principal excludes accreted interest of \$1,489,792 as of June 30, 2010.

NOTE 6 – MEASURE C2004 EXPENDITURES BY PROJECT

The following table presents the expenditure amounts by project for the fiscal year ended June 30, 2010:

<u>Project</u>	<u>Amount</u>
Delta Continuation High School	\$ 3,243,829
Santa Maria High School	1,001,165
Righetti High School	801,382
Pioneer Valley High School	52,717
Undesignated	2,250
Total	\$ 5,101,343

NOTE 7 – INTERFUND TRANSFER

In 2009-10 the District made a transfer of \$21,909 from the Measure C2000 Bond Building Fund (Fund 22) to the Measure C2004 Bond Building Fund (Fund 24). This transfer was made to reimburse the Measure C2004 Bond Building Fund for interest earned through September 30, 2009 on legal settlement proceeds related to the Pioneer Valley High School legal settlement.

Other Independent Auditor's Reports

Governing Board Members and
Measure C2004 Citizens' Bond Oversight Committee of
Santa Maria Joint Union High School District
Santa Maria, California

**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**

Independent Auditor's Report

We have audited the financial statements of the Measure C2004 Bond Building Fund of Santa Maria Joint Union High School District as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. 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 Maria Joint Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Santa Maria Joint Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Santa Maria Joint Union High School 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 the entity's 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 the Measure C2004 Bond Building Fund of Santa Maria Joint Union High School District's 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 District's Governing Board, Measure C2004 Citizens' Bond Oversight Committee, management, others within the entity, and the taxpayers of Santa Maria Joint Union High School District and is not intended to be and should not be used by anyone other than these specified parties.

Christie White Accountancy Corporation

San Diego, California
November 22, 2010

Governing Board Members and
Measure C2004 Citizens' Bond Oversight Committee of
Santa Maria Joint Union High School District
Santa Maria, California

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

We have audited the financial statements of the Measure C2004 Bond Building Fund of the Santa Maria Joint Union High School District (the "District") as of and for the fiscal year ended June 30, 2010 and have issued our report thereon dated November 22, 2010. Our audit was made in accordance with generally accepted auditing standards in 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.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Measure C2004 General Obligation Bond for the fiscal year ended June 30, 2010. The objective of the audit of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds from the sale of the Measure C2004 Bond were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure, evaluated the remodeling, new construction and renovation of items which will improve learning and reduce overcrowding in the District, with no funds expended on administrator salaries.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

Internal Control Evaluation

Procedures Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud or abuse regarding Measure C2004 projects
- Ensure adequate separation of duties exists in the accounting for Measure C2004 funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper funds

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the fiscal year 2009-10 financial statement balances for the Measure C2004 Bond Fund are not materially misstated.

Results of Procedures Performed:

The results of our audits tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unqualified opinion was expressed on the financial statements.

Facilities Site Walk

Procedures Performed:

We performed a site walk on May 5, 2010 to verify that Measure C2004 funds expended for the fiscal year ended June 30, 2010 were for valid facilities acquisition and construction purposes. We toured three District construction sites where construction work had occurred: the Delta Continuation High School campus construction, the Santa Maria High School library renovation, and the Righetti High School swimming pool and two new classrooms.

Results of Procedures Performed:

At Delta Continuation High School we observed construction of a permanent structure to house a 12-classroom facility. The library area was under construction, foundations were poured, and walls had been installed. Ducting and insulation were installed. Conduits for cables and electrical wiring were in place. Data cabling was in progress. Windows were installed, and roofing was nearing completion. Roof tiles had been installed, and flat areas of the roof were under construction. The administrative building was under construction. The campus courtyard was in progress, with landscaping yet to be installed.

The Santa Maria High School library renovation was observed as complete. The Righetti High School pool and adjacent classrooms building was also observed as complete.

Test of Expenditures

Procedures Performed:

We tested expenditures to determine whether Measure C2004 funds were spent solely on voter and Board approved school facilities projects (as set forth in the District's Facilities Master Plan and the Measure C2004 ballot measure language). The expenditure test included a sample of 20 payments totaling \$3.4 million, or 67% of total expenditures for fiscal year 2009-10.

Results of Procedures Performed:

We found the expenditures tested to be in compliance with the terms of the Measure C2004 ballot measure, Facilities Master Plan, and applicable State laws and regulations without exception.

Test of Contracts and Bid Procedures

Procedures Performed:

For the fiscal year ended June 30, 2010, we performed testing of the prime construction contract awarded for the Delta Continuation High School campus construction project to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

- Project: Delta Continuation High School, Campus Construction
Original Contract Award Amount: \$4,393,311

Test of Contracts and Bid Procedures (continued)

Results of Procedures Performed:

We found that the contract tested followed proper bidding procedures, and was awarded to the lowest responsible bidder. Two change orders tested related to the contract were executed in compliance with District policies and procedures and Public Contract Code requirements.

Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied, in all material respects, with the compliance requirements for the Measure C2004 General Obligation Bond, for the fiscal year ended June 30, 2010, as listed and tested above.

This report is intended solely for the information and use of the District's Governing Board, the Measure C2004 Citizens' Bond Oversight Committee, management, others within the entity, and the taxpayers of Santa Maria Joint Union High School District and is not intended to be and should not be used by anyone other than these specified parties.

Chint White Accountancy Corporation

San Diego, California
November 22, 2010

Findings and Responses Section

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2010**

There were no audit findings or recommendations related to the 2009-10 Measure C2004 Bond Building Fund Financial and Performance Audits.

**MEASURE C2004 BOND BUILDING FUND
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2010**

Finding #2009-1: Pioneer Valley High School Legal Settlement Cost Reimbursement

Finding: The Measure C2004 Bond Building Fund incurred costs of \$5,896,969 as part of the District's effort to obtain a legal settlement for construction defects at Pioneer Valley High School (PVHS). Settlement proceeds of \$7,621,953 were received by the Measure C2000 Bond Building Fund in December 2007, as part of the total cash settlement received of \$10,980,060. During our audit fieldwork it was determined that the Measure C2004 Bond Building Fund had not been reimbursed by the Measure C2000 Bond Building Fund for costs it had incurred related to the PVHS legal settlement.

Recommendation: The Measure C2000 Bond Building Fund should reimburse the Measure C2004 Bond Building Fund for costs incurred related to the PVHS legal settlement, including interest.

Status: Audit Finding #2009-1 was implemented. The interfund transfer to reimburse the Measure C2004 Bond Building Fund was recognized in the financial statements for the fiscal year ended June 30, 2009, and the actual cash reimbursement took place in September 2009.