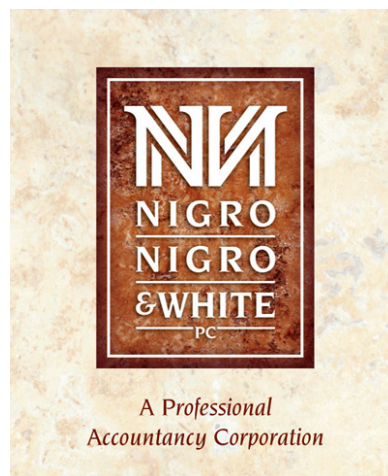


**MEASURE C2004 BOND BUILDING FUND OF  
SANTA MARIA JOINT UNION  
HIGH SCHOOL DISTRICT**

**AUDIT REPORT**

**For the Fiscal Year Ended  
June 30, 2009**



**MEASURE C2004 BOND BUILDING FUND  
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended June 30, 2009  
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**MEASURE C2004 BOND BUILDING FUND  
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
Introduction and Citizens' Bond Oversight Committee Member Listing  
June 30, 2009**

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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 2.0% to 5.0% and maturing through February 1, 2030. As of June 30, 2009, the principal balance outstanding on the Measure C2004 Series 2005 bonds, excluding accreted interest to date, was \$32,403,222.

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, 2009:

<u>Name</u>	<u>Title</u>
Arthur Scheithauer	Chair
Richard Velasco	Vice Chair
Shirleen Sladek	Publicity Chair
David Richardson	Secretary
Robin Hayhurst	Member
Daniel Payne	Member
George Risher	Member
Alesia Yglesias	Member



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

## INDEPENDENT AUDITORS' 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, 2009, and the related statement of revenues, expenditures and changes in fund balance for the fiscal year ended June 30, 2009. 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, 2009, and the results of its operations for the fiscal year ended June 30, 2009, 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 January 11, 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.

*Nigro Nigro & White, PC*

San Diego, California  
January 11, 2010

## *Financial Section*

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**MEASURE C2004 BOND BUILDING FUND  
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
Balance Sheet  
June 30, 2009**

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<b>ASSETS</b>	
Cash in county treasury, net of fair value adjustment	\$ 15,976,343
Accounts receivable	39,462
	<hr/>
<b>Total Assets</b>	<b>\$ 16,015,805</b>
	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 509,826
	<hr/>
<b>Total Liabilities</b>	<b>509,826</b>
	<hr/>
<b>Fund Balance</b>	
Unreserved	15,505,979
	<hr/>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 16,015,805</b>
	<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, 2009**

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<b>REVENUES</b>	
Other local revenue	\$ 436,749
<b>Total Revenues</b>	<u>436,749</u>
<b>EXPENDITURES</b>	
Facilities acquisition and construction	<u>5,530,294</u>
<b>Total Expenditures</b>	<u>5,530,294</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(5,093,545)
<b>OTHER FINANCING SOURCES</b>	
Interfund transfers in	<u>6,164,520</u>
<b>Total Other Financing Sources</b>	<u>6,164,520</u>
<b>Net Change in Fund Balance</b>	1,070,975
<b>Fund Balance, July 1, 2008</b>	<u>14,435,004</u>
<b>Fund Balance, June 30, 2009</b>	<u><u>\$ 15,505,979</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, 2009**

---

**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, 2009**

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**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, 2009**

---

**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, 2009 are classified in the accompanying financial statements as cash in county treasury for \$15,976,343.

**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, 2009**

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**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 some of the investment types permitted in the investment policy:

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 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 \$15,976,343 and an amortized book value of \$15,843,888. The weighted average maturity for this pool as of June 30, 2009 was 296 days.

**MEASURE C2004 BOND BUILDING FUND  
OF SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2009**

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**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, the 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, 2009 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 \$6,052,775 as of June 30, 2009.

**NOTE 5 – MEASURE C2004 GENERAL OBLIGATION BONDS**

As of June 30, 2009, the principal balance outstanding on the District's Measure C2004 Series 2005 general obligation bonds, including accreted interest to date, was \$33,449,421.

- 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 2.0% 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, 2009**

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**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, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal *</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 425,000	\$ 1,133,316	\$ 1,558,316
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
2015-2019	5,270,000	5,043,416	10,313,416
2020-2024	11,070,000	3,481,756	14,551,756
2025-2029	12,872,052	9,723,226	22,595,277
2030-2031	1,536,170	3,853,531	5,389,701
<b>Total</b>	<b>\$ 32,403,222</b>	<b>\$ 27,689,584</b>	<b>\$ 60,092,805</b>

\* Principal excludes accreted interest of \$1,046,199 as of June 30, 2009.

**NOTE 6 – MEASURE C2004 EXPENDITURES BY PROJECT**

The following table presents the expenditure amounts by project for the fiscal year ended June 30, 2009:

<u>Project</u>	<u>Amount</u>
Delta High School	\$ 137,991
Pioneer Valley High School	13,817
Santa Maria High School	1,967,412
Righetti High School	3,411,074
<b>Total</b>	<b>\$ 5,530,294</b>

**NOTE 7 – INTERFUND TRANSFER**

In 2008-09 the District recognized a transfer of \$6,164,520 from the Measure C2000 Bond Building Fund (Fund 22) to the Measure C2004 Bond Building Fund (Fund 24). This transfer, which was completed in 2009-10, was made to reimburse the Measure C2004 Bond Building Fund for legal settlement costs that it had incurred related to the Pioneer Valley High School legal settlement, including interest.

## *Other Independent Auditors' Reports*

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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**

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, 2009, and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with generally accepted auditing standards 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 control deficiency* 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 misstatements on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.



A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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*.

Santa Maria Joint Union High School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Santa Maria Joint Union High School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Measure C2004 Citizens' Bond Oversight Committee, the District's Governing Board, management, 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.



San Diego, California  
January 11, 2010



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Santa Maria, California

## INDEPENDENT AUDITORS' 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, 2009 and have issued our report thereon dated January 11, 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, 2009. 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:

<b>Internal Control Evaluation</b>
------------------------------------

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 fund(s)

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 2008-09 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.

<b>Facilities Site Walk</b>
-----------------------------

Procedures Performed:

We performed a site walk on April 6, 2009 to verify that Measure C2004 funds expended for the fiscal year ended June 30, 2009 were for valid facilities acquisition and construction purposes. NNW toured two District construction sites where 2008-09 construction work occurred: the Santa Maria High School library renovation and the Righetti High School swimming pool and two new classrooms.

Results of Procedures Performed:

As of the date of our site walk, the Santa Maria High School library was undergoing substantial renovation. Steel beams and exterior framing was left intact from the previous structure and construction work was underway in the areas of exterior brick work, installation of steel studs in the building interior, cement additions to the building foundation and walkways, fire alarm cabling, ducting for HVAC equipment, and re-roofing.

At Righetti High School, asphalt and portable buildings had been removed to prepare the site for construction. Building shells had been completed for the two new classrooms, and HVAC equipment and electrical wiring was in progress. The swimming pool area had been cleaned and graded, with cement poured. A wall had been installed between the pool area and the lower fields, with a sidewalk installed at the base of the wall. Trees had been removed from the area below the pool.

## **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 29 payments totaling \$1.5 million, or 27% of total expenditures for fiscal year 2008-09.

### 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, 2009, NNW performed testing of 2 contracts to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

- Project: Santa Maria High School, Library  
Original Contract Award Amount: \$2,516,000
  
- Project: Righetti High School, Swimming Pool and Two Classrooms  
Original Contract Award Amount: \$3,471,600

**Test of Contracts and Bid Procedures (continued)**

Results of Procedures Performed:

We found that the contracts tested followed proper bidding procedures, and were awarded in all cases to the lowest responsible bidder.

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 as listed and tested above.

This report is intended solely for the information and use of the Measure C2004 Citizens' Bond Oversight Committee, the District's Governing Board, management, 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.

*Nigel Nigel & White, PC*

San Diego, California  
January 11, 2010

## *Findings and Responses Section*

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**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, 2009**

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**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.

**District Response:** The Measure C2000 Bond Fund reimbursed the Measure C2004 Bond Fund in the amount of \$6,164,520. The reimbursement was recognized in 2008-09 but the actual cash was transferred in 2009-10. The reimbursement covers actual costs incurred of \$5,896,969 and an interest reimbursement of \$267,551.