

**SANTA CLARITA  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE M GENERAL OBLIGATION BONDS  
ELECTION 2006**

**FINANCIAL AND PERFORMANCE AUDITS**

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**JUNE 30, 2016**

**SANTA CLARITA  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE M GENERAL OBLIGATION BONDS  
ELECTION 2006**

**FINANCIAL AUDIT**

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**JUNE 30, 2016**

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

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Clarita Community College District's (the District) Measure M General Obligation Bonds (Measure M) as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure M General Obligation Bonds (Measure M) of the District at June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Measure M General Obligation Bonds (Measure M) and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the District's Measure M General Obligation Bonds (Measure M) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the District's Measure M General Obligation Bonds (Measure M) internal control over financial reporting and compliance.



Rancho Cucamonga, California  
December 20, 2016

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

**BALANCE SHEET  
JUNE 30, 2016**

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**ASSETS**

Investments	\$ 21,895,558
Accounts receivable	<u>71,630</u>
<b>Total Assets</b>	<u><u>\$ 21,967,188</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable and accrued liabilities	<u>\$ 556,955</u>
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**FUND BALANCE**

Restricted	
Capital projects	<u>21,410,233</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 21,967,188</u></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  
FOR THE YEAR ENDED JUNE 30, 2016**

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**REVENUES**

Local revenues	\$ 189,463
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**EXPENDITURES**

Current Expenditures

Classified salaries	82,206
Employee benefits	24,320
Services and operating expenditures	82,298
Capital outlay	4,439,312

<b>Total Expenditures</b>	<b>4,628,136</b>
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<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,438,673)</b>
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<b>FUND BALANCE - BEGINNING</b>	<b>25,848,906</b>
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<b>FUND BALANCE - ENDING</b>	<b>\$ 21,410,233</b>
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See the accompanying notes to financial statements.



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

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016**

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### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES***

The accounting policies of the Measure M General Obligation Bonds (Measure M) 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 (AICPA).

#### **Financial Reporting Entity**

The audited financial statements include only the Measure M General Obligation Bonds of the Santa Clarita Community College District (the District). 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 the changes in the financial position of the District in compliance with accounting principles generally accepted in the United States of America.

#### **Fund Accounting**

The operations of the Measure M General Obligation Bonds 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 Measure M General Obligation Bonds 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 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, 2016

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#### 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 lapse at June 30.

#### Fund Balance - Measure M General Obligation Bonds (Measure M)

As of June 30, 2016, the fund balance is classified as follows:

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

#### 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.

#### Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

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

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016**

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In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

### **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.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT MEASURE M GENERAL OBLIGATION BONDS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Investment in County Treasury

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

### General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term 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

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **MEASURE M GENERAL OBLIGATION BONDS**

### **NOTES TO FINANCIAL STATEMENTS**

#### **JUNE 30, 2016**

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#### **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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool. The District maintains an investment of \$21,895,558 with the Los Angeles County Investment Pool, with an average maturity of 608 days.

#### **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 Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2016.

#### ***NOTE 3 - FAIR VALUE MEASUREMENTS***

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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The District's fair value measurements are as follows at June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 21,921,138</u>	<u>\$ 21,921,138</u>

All assets have been valued using a market approach, with quoted market prices.

***NOTE 4 - ACCOUNTS RECEIVABLE***

The accounts receivable at June 30, 2016, in the amount of \$71,630 represents interest earnings that have yet to be received. All amounts have been determined by management to be fully collectable.

***NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES***

The accounts payable and accrued liabilities at June 30, 2016, represent amounts owed to vendors for both ongoing and completed construction projects in the amount of \$556,955.

***NOTE 6 - FUND BALANCE***

Fund balance is composed of the following element:

Restricted for capital projects	<u>\$ 21,410,233</u>
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# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT MEASURE M GENERAL OBLIGATION BONDS**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016**

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### ***NOTE 7 - COMMITMENTS AND CONTINGENCIES***

As of June 30, 2016, the Measure M General Obligation Bonds 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>
ADA Door/Hardware Replacement	\$ 464,650	December 31, 2017
Bonelli Remodel Secondary Effects	424,473	September 30, 2016
Boykin Modernization 5 year plan	14,896	June 30, 2017
CCC - Science Building and Classroom Structure	3,959,860	December 31, 2017
CCC - Parking Lot 1	1,176,686	September 30, 2016
CCC - Central Plant	545,821	March 31, 2019
Facilities Master Plan 2018-2023	135,000	December 31, 2016
LED Lighting Prop 39	344	September 30, 2016
Modernization PE West	21,760	January 31, 2017
N Plant Co-gen Repairs	2,591	September 30, 2016
Outdoor Shade Coverings	45,546	September 30, 2016
Security Systems - Valencia/CCC	9,594	December 31, 2016
Site Improvement - Sign Refurbishment	12,607	September 30, 2016
Soccer Field Turf	1,293,901	December 31, 2016
	<u>\$ 8,107,729</u>	

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Measure M General Obligation Bonds (Measure M) at June 30, 2016.

### ***NOTE 8 - SUBSEQUENT EVENTS***

In November 2016, the District issued the General Obligation Bonds, Election of 2006, Series 2016 in the amount of \$20,000,000. The Series 2016 bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2046, with interest rate yields of 3.00 to 5.00 percent. Proceeds from the sale of the bonds will be used to finance the repair, upgrading, acquisition, construction and equipping of District property and facilities, to refund the District's Certificate of Participation (2009 financing project), and to pay the costs of issuing the bonds.

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***INDEPENDENT AUDITOR'S REPORT***

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**INDEPENDENT AUDITOR'S 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 and  
Citizens' Oversight Committee  
Santa Clarita Community College District  
Santa Clarita, California

We have audited, in accordance with the 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, the accompanying financial statements of the Santa Clarita Community College District (the District) Measure M General Obligation Bonds (Measure M), as of and for the year ended June 30, 2016, and the related notes of the financial statements, and have issued our report thereon dated December 20, 2016.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Measure M General Obligation Bonds (Measure M), and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's Measure M General Obligation Bonds (Measure M) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's Measure M General Obligation Bonds (Measure M) internal control. Accordingly, we do not express an opinion on the effectiveness of the District's Measure M General Obligation Bonds (Measure M) internal control.

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 District's Measure M General Obligation Bonds (Measure M) financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Measure M General Obligation Bonds (Measure M) of the 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*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Measure M General Obligation Bonds (Measure M) internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure M General Obligation Bonds (Measure M) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California  
December 20, 2016

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2016**

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None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016**

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There were no audit findings reported in the prior year's Financial Statement Findings.

**SANTA CLARITA  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE M GENERAL OBLIGATION BONDS  
ELECTION 2006**

**PERFORMANCE AUDIT**

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**JUNE 30, 2016**

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

**PERFORMANCE AUDIT  
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JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Board of Trustees and  
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) Measure M General Obligation Bond Funds (Measure M) for the year ended June 30, 2016.

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 controls 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 Measure M General Obligation Bond Funds (Measure M) 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 20, 2016



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

**JUNE 30, 2016**

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## ***AUTHORITY FOR ISSUANCE***

The General Obligation Bonds were 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 from 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 Bonds represent the first, second, and third series of the authorized bonds to be issued 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, of certain District outstanding lease obligations, 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.

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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 Measure M General Obligation 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 Measure M General Obligation 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, 2015 to June 30, 2016. 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, 2016, 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, 2016, for the Measure M General Obligation Bond Funds. 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 40 percent of all expenditures, which in part included all materially significant expenditures charged to the Measure M General Obligation Bond Funds. For the items selected for testing, there were no exceptions noted in the District's procedures related to the disbursement of the Measure M General Obligation 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.

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3. We selected all employees charged to the Measure M General Obligation Bond Funds. For the employees selected for testing, there were no exceptions noted in the District's procedures related to the disbursement of the Measure M General Obligation Bond Funds. The District approves all employees charged to the Measure M General Obligation 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 45**

<b>Description</b>	<b>Expenditures Incurred</b>	<b>Expenditures Tested</b>	<b>Percentage of Total</b>
Service and Operating Expenditures	\$ 40,648	\$ -	0%
Capital Outlay	910,570	364,946	40%
<b>Total</b>	<b>\$ 951,218</b>	<b>\$ 364,946</b>	<b>38%</b>

**Fund 47**

<b>Description</b>	<b>Expenditures Incurred</b>	<b>Expenditures Tested</b>	<b>Percentage of Total</b>
Classified Salary Expense	\$ 82,206	\$ 82,206	100%
Classified Benefits Expense	24,320	24,320	100%
Service and Operating Expenditures	41,650	-	0%
Capital Outlay	3,528,742	1,377,674	39%
<b>Total</b>	<b>\$ 3,676,918</b>	<b>\$ 1,484,200</b>	<b>40%</b>

We prepared a schedule of all costs incurred between July 1, 2015 and June 30, 2016, by project, for the local bond measure funding and totaling inception-to-date expenses.

<b>2012 General Obligation Bonds Fund 45</b>	<b>July 1, 2015 to June 30, 2016 Actual Expenses</b>	<b>Inception-to-Date Expenses June 30, 2016</b>
Repairs and Modernization	\$ 311,468	\$ 1,930,918
Site Upgrades	228,142	1,696,478
Technology	333,670	1,689,657
New Buildings - Valencia Campus	37,290	15,623,460
Miscellaneous Secondary Effects Projects	-	1,044,119
Master Plans	29,848	261,545
Miscellaneous Expenses	10,800	43,200
Management Personnel - Bond Implementation	-	201,150
Cost of Issuance and Other Uses	-	15,415,175
<b>Total</b>	<b>\$ 951,218</b>	<b>\$ 37,905,702</b>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT  
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<b>2006 General Obligation Bonds</b>	<b>July 1, 2015 to June 30, 2016 Actual Expenses</b>	<b>Inception-to-Date Expenses June 30, 2016</b>
<b>Fund 46</b>		
University Center - East Wing	\$ -	\$ 3,436,641
University Center - West Wing	-	3,879,943
Health and Safety	-	44,430
Library Expansion	-	6,393,216
Canyon Country Campus	-	32,011,265
Repairs and Modernization	-	4,681,206
Site Upgrades	-	1,663,079
Technology	-	1,176,109
Planned Equip and Tech Replacement	-	1,792,273
Hotel Restaurant Management	-	6,817
Student Services Admin Building	-	1,000,000
Culinary Arts Building	-	3,194,223
Mentry Hall	-	12,428,583
Applied Technology Education Center - Canyon Country Campus	-	7,114,272
Canyon Country Campus Parking Lot #2	-	1,050,875
Secondary Effects:		
Mentry Hall	-	1,877,440
First Floor Bonelli Hall	-	1,284,215
Second Floor Bonelli Hall	-	319,693
Third Floor Bonelli Hall	-	228,222
Student Center	-	19,190
Student Support Center	-	257,326
Modular Renovation	-	88,746
Miscellaneous Projects	-	181,570
Management Personnel - Bond Implementation	-	583,957
Master Plans	-	461,459
Miscellaneous Expenses	-	43,860
Cost of Issuance and Other Uses	-	2,602,721
<b>Total</b>	<b>\$ -</b>	<b>\$ 87,821,331</b>

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

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<b>2014 General Obligation Bonds</b>	<b>July 1, 2015</b>	<b>Inception-to-Date</b>
<b>Fund 47</b>	<b>to</b>	<b>Expenses</b>
	<b>June 30, 2016</b>	<b>June 30, 2016</b>
	<b>Actual Expenses</b>	
Repairs and Modernization	\$ 1,706,106	\$ 1,890,192
Site Upgrades	673,394	709,124
Technology	9,861	9,861
Canyon Country Campus Science/Lecture Building	843,940	843,940
Central Plant CCC	11,139	11,139
Canyon Country Campus Parking Lot	80,617	80,617
Secondary Effects:		
Bonelli Hall	168,908	176,033
Miscellaneous Projects	34,777	34,777
Management Personnel - Bond Implementation	106,526	106,526
Master Plans	41,650	41,650
Cost of Issuance and Other Uses	-	1,187,886
<b>Total</b>	<b>\$ 3,676,918</b>	<b>\$ 5,091,745</b>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MEASURE M GENERAL OBLIGATION BOND

**JUNE 30, 2016**

4. 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.

<b>Project Description</b>	<b>Total Estimated Cost of Project <sup>1</sup></b>	<b>Total Anticipated Contributions from Other Sources <sup>1</sup></b>	<b>Total Estimated Measure M Contribution First Issuance <sup>1</sup></b>
Library Expansion	\$ 15,846,069	\$ 9,452,854	\$ 6,393,215
(Project also funded using Measure C)			
Canyon Country Campus	58,011,265	26,000,000	32,011,265
(Site development, modulars, and expanded scope)			
(Project also funded using Measure C)			
University Center - East Wing	30,704,793	27,268,152	3,436,641
(Project also funded using Measure C)			
University Center - Local Project	9,110,188	5,230,245	3,879,943
Repairs and Modernization	14,306,822	-	4,681,206
Site Upgrades	6,147,060	-	1,663,080
Health and Safety	44,430	-	44,430
Technology/ Technology Infrastructure	4,365,766	-	1,176,109
Hotel Restaurant Management - New Kitchen Plan	6,817	-	6,817
Student Services Admin Building	17,594,080	6,320,446	1,000,000
Student Services/Admin Tenant Improvement	813,511	-	-
Culinary Arts Building	9,864,649	1,320,600	3,194,222
Mentry Hall Expansion	12,428,583	-	12,428,583
Parking Structure - Valencia Campus	20,000,000	19,050,000	-
(Project also funded using Measure E)			
Applied Technology Education Center - Canyon Country Campus	7,114,273	-	7,114,273
Canyon Country Campus Parking Lot #2	1,050,875	-	1,050,875
Canyon Country Campus - Science/Lecture Building	32,000,000	17,000,000	-
(Project also funded using Measure E)	-	-	-
Canyon Country Campus - Central Plant	9,000,000	5,443,040	-
(Project also funded using Measure E)			
Canyon Country Campus - Parking Lot Improvement	1,500,000	-	-
Secondary Effects:			
Mentry Hall	1,877,440	-	1,877,440
First Floor Bonelli Hall	1,284,215	-	1,284,215
Second Floor Bonelli Hall	1,318,602	-	319,693
Third Floor Bonelli Hall	228,222	-	228,222
Student Center (STCN-130)	19,190	-	19,190
Student Support Center (formerly Interim UC)	257,326	-	257,326
Modular Renovations	88,746	-	88,746
Secondary Effects Holding	2,455,000	-	-
Bonelli Hall (2016)	795,000	-	-
Miscellaneous Secondary Effects Projects	711,779	-	181,569
Future Planned Equipment and Tech Replacement	1,792,272	-	1,792,272
Debt Service - Existing COPSs	18,410,668	-	-
Management Personnel - Bond Implementation	998,783	-	583,956
Master Plans	899,654	-	461,459
Costs of Issuances	8,193,964	-	2,602,721
Miscellaneous Expenses	109,064	-	43,864
<b>Subtotal</b>	<b>289,349,106</b>	<b>117,085,337</b>	<b>87,821,332</b>
<b>Add Contingency</b>	<b>1,536,474</b>	<b>-</b>	<b>-</b>
	<b>\$ 290,885,580</b>	<b>\$ 117,085,337</b>	<b>\$ 87,821,332</b>

<sup>1</sup> Estimates updated by District personnel through August 15, 2016. These estimates were not subject to verification.

<sup>2</sup> Actual costs incurred through June 30, 2016.

<b>Total Estimated Measure M Contribution Second Issuance <sup>1</sup></b>	<b>Total Estimated Measure M Contribution Third Issuance <sup>1</sup></b>	<b>Total Estimated Measure M Contributions Future Issuances <sup>1</sup></b>	<b>Total GO Bond Expenditures Through June 30, 2016 <sup>2</sup></b>	<b>Total Remaining GO Bond Balance Outstanding <sup>1</sup></b>
\$ -	\$ -	\$ -	\$ 6,393,215	\$ -
-	-	-	32,011,265	-
-	-	-	3,436,641	-
-	-	-	3,879,943	-
1,930,918	7,694,698	-	7,688,805	6,618,017
1,696,477	2,787,503	-	4,068,681	2,078,379
-	-	-	44,430	-
1,689,657	1,500,000	-	2,875,628	1,490,138
-	-	-	6,817	-
10,273,634	-	-	11,273,634	-
-	813,511	-	813,511	-
5,349,827	-	-	8,544,049	-
-	-	-	12,428,583	-
-	-	950,000	-	-
-	-	-	7,114,273	-
-	-	-	1,050,875	-
-	5,000,000	10,000,000	843,940	4,156,060
-	-	-	-	-
-	556,960	3,000,000	11,140	545,820
-	1,500,000	-	80,617	1,419,383
-	-	-	1,877,440	-
-	-	-	1,284,215	-
998,909	-	-	1,318,602	-
-	-	-	228,222	-
-	-	-	19,190	-
-	-	-	257,326	-
-	-	-	88,746	-
-	2,455,000	-	-	2,455,000
-	795,000	-	176,033	618,967
45,210	485,000	-	261,556	450,223
-	-	-	1,792,272	-
12,838,050	-	5,572,618	12,838,050	-
201,150	213,677	-	891,632	107,151
261,545	176,650	-	764,654	135,000
2,577,125	1,187,886	1,826,232	6,367,732	-
43,200	22,000	-	87,061	22,003
37,905,702	25,187,885	21,348,850	130,818,778	20,096,141
-	1,314,092	222,382	-	1,314,092
\$ 37,905,702	\$ 26,501,977	\$ 21,571,232	\$ 130,818,778	\$ 21,410,233

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

**JUNE 30, 2016**

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5. We calculated the balance available for expenditure of bond proceeds related to the approved projects within the bond project fund at June 30, 2016. As stated in the District's audited financial statements as of June 30, 2016, the expenditures from the Measure M General Obligation Bond Funds were \$4,628,136 for fiscal year 2015-2016, and total \$130,818,778 to date. Bond proceeds received to date total \$146,365,001, and interest revenue and other sources earned to date of \$5,864,008 provide \$21,410,233 from the third issuance 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 Measure M General Obligation Bond Funds and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Measure M General Obligation Bond Funds, 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 BOND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

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None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.