

Santa Clarita Community College District (SCCCD)
Independent Citizens' Bond Oversight Committee
January 24, 2017
1:00 p.m. to 2:00 p.m.
College of the Canyons, Canyons Hall Room 201
26455 Rockwell Canyon Road, Santa Clarita CA 91355

MEETING AGENDA

1. PRELIMINARY FUNCTIONS

- | | | |
|------------|--|---------------|
| 1.1 | Call to Order/Establishment of a Quorum | |
| 1.2 | Approval of Meeting Agenda | ACTION |
| 1.3 | Approval of Meeting Minutes – November 1, 2016 | ACTION |
| 1.4 | Welcome Guests | ORAL |

2. FACILITIES

- | | | |
|------------|-----------------|--------------------|
| 2.1 | Facility Update | INFORMATION |
|------------|-----------------|--------------------|

3. FINANCIAL

- | | | |
|------------|--|---------------|
| 3.1 | Acceptance of Measure “M” General Obligation Bonds
Financial Audit & Performance Audit for the Fiscal Year
Ending June 30, 2016 | ACTION |
| 3.2 | Approval of Resolution 2016/17-01 Affirming the Santa Clarita
Community College District’s Compliance with the Requirements as
Stated in the Law (Section 15278-15282) | ACTION |

4. OTHER

- | | | |
|------------|--|-------------|
| 4.1 | Comments by Members of the Audience on Any Item
<u>NOT ON THE AGENDA</u> | ORAL |
|------------|--|-------------|

5. ADJOURNMENT AND ANNOUNCEMENT OF NEXT MEETING

- | | | |
|------------|-------------|---------------|
| 5.1 | Adjournment | ACTION |
|------------|-------------|---------------|

If you need a disability-related modification or accommodation (including auxiliary aids or services) to participate in the public meeting, or if you need an agenda in an alternate form, please contact the Business Services Office at College of the Canyons at least 24 hours before the scheduled meeting.
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SANTA CLARITA COMMUNITY COLLEGE DISTRICT
Independent Citizens' Bond Oversight Committee

November 1st, 2016

MINUTES

(Unapproved)

The Santa Clarita Community College District Independent Citizens' Bond Oversight Committee
Meeting was held on November 1st, 2016

in

Canyons Hall Room 201

College of the Canyons

26455 Rockwell Canyon Road, Santa Clarita, California 91355

Members Present: Mr. Nicholas Lentini, Chair
Ms. Barbara S. Cochran
Mr. Alan Difatta
Mr. Michael Hogan
Ms. Katherine Martinez
Ms. Ruthann Levison
Mr. Calvin Hedman
Mr. Spencer Leafdale

Members Absent: Mr. Don Kimball
Mr. Kevin Holmes
Mr. Michael Lebecki

Others Present: Dr. Dianne Van Hook, Chancellor
Dr. Barry Gribbons, Deputy Chancellor
Ms. Sharlene Coleal, Asst. Superintendent/VP, Business Services
Mr. Jim Schrage, Asst. Superintendent/VP, Facilities Planning, Operations and Construction
Dr. Ryan Theule, VP, Canyon Country Campus and Grants Development
Ms. Cindy Grandgeorge, Associate VP, Business Services
Mr. John Green, Director, District Publications and Reprographics
Ms. Balbir Chandi, Director, Fiscal Services

1. PRELIMINARY FUNCTIONS

A quorum was declared and the meeting called to order by the Chair of the Oversight Committee, Mr. Lentini.

**Quorum
Established
(1.1)**

The Committee moved approval of meeting agenda.

Motion: Mr. Hogan

Second: Mr. Difatta

Record of Vote: 8 - 0

**Approval of
Agenda
(1.2)**

The Committee moved approval of the March 31st, 2016 meeting minutes.
Motion: Mr. Hogan Second: Mr. Difatta Record of Vote: 8 - 0

**Approval of
Minutes
(1.3)**

All members and guests introduced themselves.

**Welcome
Guests
(1.4)**

2. FACILITIES

OVERVIEW OF THE EDUCATIONAL & FACILITIES MASTER PLAN AND PROCESSES (2.1)

Mr. Schrage went over the Facilities Planning and Development PowerPoint presentation.

Educational Master Plan

It takes over 1 year to put Educational Plans together. The First Step is to Review the following data:

- Demographic Changes
 - Labor Market
 - Economy
 - How we interact with High Schools
 - International Students
-
- Projections are done every 1, 3, 5, and 10 years.
 - We do our own growth projections.
 - We try to meet the needs of the community and look at trends for the future.

Facility Master Plan

Everything built is based on plans that are driven by student need:

- Needs are prioritized
- Funding is identified
- A team is selected
- Building begins

Staffing needs were assessed in order to support faculty. In addition, we need to make sure we can staff buildings. Fall Enrollment (Chart) is currently under 20,000 – expect to grow 25% by 2023 (3% a year)

- We need to take this into consideration for faculty

Individuals were interviewed in each department (230 faculty, staff, and community members) and add this data to the plan. Then, we will determine Educational needs (i.e., staff, equipment, etc.) After a year of interviewing and putting data together, we will compare the data to the available physical space. We will compare what we have to what we need and create new space based on the new demand. The critical part is to respond to “need,” not “want.” We maximize our funding and building, but we do it in a straightforward way with the support of the community.

- 1988 – 178,000 square feet
- 2016 – 1 million square feet

Dr. Van Hook addressed the Committee and provided a history of State capital funding:

- Prior to the 1980s, all community college buildings were funded by offshore oil funds, which worked well up until the 1980s when oil production shut down.
- In the 1980s (1983-84) – the Oil Crisis affected California’s revenue stream, drying it up.
- In 1976, the Community College Construction Act did a projection of facilities based on population.
- Then, the State issued Revenue Bonds to be funded by State income.
- From 1991 to 2005, GO Bonds issued by the State were to be paid by taxpayers.
- Up until 2001, the State fully funded projects based on space allocation studies compared to student enrollment.
- In 1987, we were 23% unfunded and Dr. Van Hook worked with Michael Moss to get projections increased, which increased funding.
- Prop 39 changed the required percentage from 67% to 55% to facilitate passage of local funding.
- For 30 years, the College of the Canyons could not build other facilities.
- In the last 15 years, the criteria for Prop 39 resources were different, so the buildings we built were different. We were one of the first districts in 2001 to pass a bond.

Facilities for California State University and University of California were fully funded by the State. California Community Colleges have 2.5 million students, while California State Universities and Universities of California only have 550,000 – we serve 5-times that amount of students.

The funding formula for Community College facilities is very different (Community Colleges are funded at 1/2 of California State Universities and 1/3 of Universities of California):

Community Colleges:	\$ 5,000/FTES
California State Universities:	\$12,000/FTES
Universities of California:	\$23,000/FTES

Prioritizing Need – State Funded Projects

- State used to have bonds every 2 years
- Previously, there were only three categories of priority they would use to prioritize
- 50% Funds Category A; 50% Funds Category B & C
 - A. Health & Safety
 - B. Increase Instructional Capacity
 - C. Modernize Instructional Space
- Currently, Health & Safety Receives All Funding
- 113 Colleges are Fighting for a Small Pot of Money
- 200 Points – 4 Categories
 - 50 – Match 50% with Local Funds
 - 50 – Student Need – 100%
 - 50 – Growth
 - 50 – Capacity Load
- Local Money Significantly Helps to Fund Buildings
- High Score is 170-175

There has been no State Bond since 2006 (10 years). If Bond passes in November 2016, the Fund will be broken into 4 categories:

1. Plans
2. Working Drawings
3. Construction
4. Equipment

The funding will be spread out over years. We decided to not wait for State funding and to build using our own money.

- Identify Funding
- State and local Grants, Fundraising, Asset Generating Partnerships, Assume Long-Term Debt

Early 1990's

- Years ago, we planned to do Asset Management by surplusizing the South Lot by deeming it not needed for Educational Purposes and negotiating a land lease to generate a revenue stream.
 - Riverside built North Orange campus this way.
- Dr. Van Hook had an epiphany that we did not want to build apartments so to avoid being property managers and dealing with tenant issues.
- Along Valencia – we were going to build a strip mall with restaurants. Tom Lee at Newhall Land met with Dr. Van Hook and 58 people and ended up becoming the Co-Chair of the University Center Campaign. He assisted with strategy and fundraising to build the University Center.

The History of College of the Canyons facilities began in 1970:

- The State would not fund initial campus buildings to serve 5,000 students.
- The voters passed a \$15 million GO Bond to build Bonelli, Boykin, Seco, Towsley, Stadium, and the Student Center.

Measure M Summary of Funding and Related Projects with local Bonds, State GO Bonds, Local Funding, including the College of the Canyons Foundation.

- The District had to determine when to build without State funding, which was a juggling act.
- The State funds one project per site and they have a cycle that may not meet future needs

Define Project Scope:

- Don't Over or Under Build
- Select Project Team
- Use Construction Management Company – Multi Prime
- Control Schedule, Quality, & Budget

Build It:

- Select method of construction delivery: low bid, sole contractor, multiple prime (construction management), design/build
- Select consultant
- Package project for bidding
- Evaluate bids
- Confirm bids do not exceed budget; if not, modify project to meet budget constraints
- Board-approve contracts
- Break ground

Dr. Van Hook made final remarks regarding Facilities Planning & Development:

- Some districts have legislators write a bill for land or other types of purchases embedded in another bill (i.e., plastic bags).
- The Santa Monica Community College District had a legislator write a bill to enable them to buy a theater and operate it as their own.

Secondary Effects: Remodel and Modernization

- Paint / Carpet
- Repurpose Meeting Space to Lecture Space

350,000 square feet needs to be modernized based on changes in technology. For example, Towsley Hall houses Welding courses, which has a curriculum that has vastly changed since the 1990s. The building needs modernizing, including 10,000 additional square feet, to meet the needs of the curriculum and students.

Mr. Lentini commended Mr. Schrage and Dr. Van Hook on the planning they do for the college that has added so many new facilities.

3. COMMITTEE MEMBERSHIP

INTRODUCTION OF COMMITTEE MEMBERS (3.1)

Committee members previously introduced themselves during the welcome portion of the agenda.

APPOINT CHAIR AND ELECT VICE-CHAIR FOR THE SCCCD INDEPENDENT CITIZENS' BOND OVERSIGHT COMMITTEE AND SELECTION OF TERMS BY MEMBER (3.2)

Dr. Van Hook indicated that Mr. Lentini is appointed as Chair.

Election of Vice-Chair: Mr. Hogan nominated Mr. Leafdale for Vice-Chair. There were no other nominations.

The Committee moved approval of Mr. Leafdale to serve as Vice-Chair.

Motion: Mr. Hogan Second: Mr. Difatta Record of Vote: 8 - 0

Dr. Van Hook gave an overview of the terms for members and explained that the terms are staggered to allow carry-forward, which prevents the entire committee from terming out at the same time and retains expertise and knowledge:

- Four 1-year terms
- Seven 2-year terms
- Members can be reappointed two more terms for a total of three terms (up to 6 years)
- Terms reset with this new combined Oversight Committee
- Those that draw 1-year terms can be reappointed for two additional 2-year terms if they wish to remain

Lots with the following terms were drawn at random by the members in attendance:

- 1-Year Term
 - Mr. Spencer Leafdale
 - Mr. Alan Difatta
 - Mr. Michael Hogan
 - TBD
- 2-Year Term
 - Ms. Katherine Martinez
 - Mr. Barbara S. Cochran
 - Mr. Nicholas Lentini
 - Ms. Ruthann Levison
 - Mr. Calvin Hedman
 - TBD
 - TBD

The one remaining 1-Year Term and two remaining 2-Year Term slots will be determined at random between the absent members of the Committee: Mr. Don Kimball, Mr. Kevin Holmes, and Mr. Michael Lebecki.

OVERVIEW OF COMMITTEE ROLES AND RESPONSIBILITIES

(3.3)

Ms. Coleal presented a PowerPoint presentation summarizing the Independent Citizens' Oversight Committee roles and responsibilities. She explained that the District's attorney, David Casnocha, was not able to attend the meeting as he was at a bond rating in New York. The overview covered the following points:

- Overview of Measure M and Measure E Bond Authorizations
 - Measure M – November 7, 2006 - \$160 Million
 - Measure E – June 7, 2016 - \$230 Million
- Proposition 39 Requirement for a Citizens' Oversight Committee
- Roles and Responsibilities of the Citizens' Oversight Committee
- Membership and Terms
- Duties of the Board and Chancellor
- District Support to the Citizens' Oversight Committee

4. FINANCIAL

REVIEW OF FINAL MEASURE M BOND ISSUANCE - TIMELINE

(4.1)

Ms. Coleal announced that the final issuance of Measure M funds in the amount of \$20 million was completed that day. The voters had originally authorized \$160 million in November 2006 and almost ten years later, on August 10, 2016, the Board approved a Resolution to approve the final \$20 million issuance. Many projects have been funded with Measure M including Hasley Hall (Classrooms), Aliso Hall (Science), Pico Canyon (Dance Building), the PAC (Performing Arts Center), the University Center, Canyon Country Campus (Modular Admin and Classroom buildings), Mentry Expansion (Media, Entertainment, Arts), TLC and Library expansion, the Culinary building and the Canyons Hall (Student Service and Administration). With the final \$20 million, the main projects to be funded will be the Canyon Country Campus Science building and the beginning of a Valencia Campus parking structure as well as ADA and Scheduled Maintenance projects.

The District's bond counsel, Mr. David Casnocha, provided a legal opinion confirming that the GO Bond debt service payments were paid through local property taxes not District funds. This was the foundation for the District's first AAA rating. A comprehensive presentation was developed by the District and its bond underwriter, which provided background on the District and its local community and economy as well as the District's financials, administrative structure, and accomplishments. On September 29, 2016, Sharlene Coleal and Jeff Baratta presented the information to the two rating agencies; Fitch and S&P. The presentation was well received and the district was commended for being fiscally stable and for its positive presence in the community as well as for the longevity of its Chancellor, administrators and Board of Trustees and the ability of the district to grow as well as its flexibility to weather the volatility of the state budget. They said that the investors know the college and feel it is a sound investment. The result of the rating presentation was AAA and AA ratings based on the following:

- **Security** – The Bonds are secured by ad valorem property taxes
- **Strong Tax Base; Low Debt** – Economic Resource Base supporting the Bonds is diverse, growing, and reasonably stable in downturns
- **Operating Performance** – Expenditure cutting flexibility and solid financial reserves leave the District very well positioned to address cyclical downturns. District maintained solid financial flexibility through last recession
- **Revenue Framework** – Historical revenue growth has exceeded inflation and U.S. economic performance due primarily to long-term enrollment growth

The sale of the bond funds was structured by the District's underwriter, Jeff Baratta at Piper Jaffray and reviewed by the District's Bond Counsel, David Casnocha, Financial Advisor, Joanna Bowes and the LA County Treasurer. The overall recommendation was that it was a great time to be in the market with rates at an all time low and the all-in cost of 3.58% was good for the local property taxpayer who would ultimately be responsible for repaying the bonds. The bond funds were estimated to be available to the district by mid-November with \$20 M for project funds and \$1.6 M in premium bond funds to cover the \$600,000 cost of issuance with the remaining \$1 million deposited into a debt reserve fund.

REVIEW OF LIFE-TO-DATE EXPENSES BY PROJECTS – AS OF 6/30/16; REVIEW OF LIFE-TO-DATE EXPENSES BY PROJECTS – AS OF 9/30/16 (4.2),(4.3)

The Committee was provided with summary and detail expense reports for 6/30/16 Life-To-Date and 9/30/16 Life-To-Date. Ms. Coleal shared that the first three issuances of Measure M totaled \$140 million, but those funds were augmented as follows:

\$140.0 million - Bond Issuances 1, 2, & 3
\$ 6.3 Million - Premium Bonds
\$ 5.9 Million - Interest Income
\$152.2 Million - Total

5. OTHER

COMMENTS BY MEMEBERS OF THE AUDIENCE ON ANY ITEM NOT ON THE AGENDA (5.1)

No comments.

6. ADJOURNMENT AND ANNOUNCEMENT OF NEXT MEETING (6.1)

The meeting was adjourned by Mr. Lentini. The next meeting will be held in January.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT
COLLEGE OF THE CANYONS

Independent Citizens' Bond Oversight Committee

DATE: 1/24/17

ITEM TITLE Facility Update

- ACTION/CONSENT
- ACTION
- INFORMATION
- DISCUSSION

BACKGROUND ANALYSIS:

A facility update will be provided to the committee.

FISCAL IMPLICATIONS:

None. Information only.

RECOMMENDATIONS:

No recommendation at this time. Information only.

Submitted by:

Approved for submission to Independent
Citizens' Bond Oversight Committee:

Dianne G. Van Hook, Ed. D.



Recommended by:

Dianne G. Van Hook, Ed. D.
Chancellor

SANTA CLARITA COMMUNITY COLLEGE DISTRICT
COLLEGE OF THE CANYONS

Independent Citizens' Bond Oversight Committee

DATE: 01/24/17

ITEM TITLE Acceptance of Measure "M" General

ACTION/CONSENT

Obligation Bonds Financial Audit and Performance

ACTION

INFORMATION

DISCUSSION

Audit for the Fiscal Year Ending June 30, 2016

BACKGROUND ANALYSIS:

Measure "M" was approved by the voters on November 7, 2006 under Proposition 39, which requires a 55% voter approval for authorizing the issuance of General Obligation Bonds. Measure "M" authorized the District to issue bonds not to exceed \$160 million. The District issued \$80 million in bonds in May 2007, \$35 million in bonds in May 2012, \$25 million in September 2014, and \$20 million in November 2016 (after the audit period).

Under the provisions of Proposition 39, the District is required to engage the services of an independent auditor to conduct annual Financial and Performance Audits. For the fiscal year ending June 30, 2016, the Financial and Performance Audits were conducted by the District's contracted auditors Vavrinek, Trine, Day and Co., LLP. The results are contained in their combined report, which is available from the Business Services Department upon request and also attached to this agenda item.

Financial Audit:

The Financial Audit section of the audit report contains the following highlights:

- ***Independent Auditors' Report***
 - This report affirms that the financial statements present fairly, in all material respects, the financial position of the Measure "M" General Obligation Bonds.
- ***Balance Sheet***
 - This schedule reports an ending fund balance in the project fund of \$21,410,233, which is available for future project expenditures.

(Continued)

FISCAL IMPLICATIONS:

No adjustments, audit findings, or questioned costs were noted on either the Financial or Performance Audits, and it was confirmed that bond funds have been spent appropriately. An unmodified opinion was issued, which is the ***best rating possible***.

RECOMMENDATIONS:

Move Acceptance of Measure "M" General Obligation Bonds Financial Audit and Performance Audit for the Fiscal Year Ending June 30, 2016.

Submitted by:

**Approved for submission to Independent
Citizens' Bond Oversight Committee:**

Dianne G. Van Hook, Ed. D.



Recommended by:

**Dianne G. Van Hook, Ed. D.
Chancellor**

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
COLLEGE OF THE CANYONS**

PAGE: Two

ITEM TITLE: Acceptance of Measure "M" General Obligation Bonds Financial Audit and Performance Audit for the Fiscal Year Ending June 30, 2016

MEETING DATE: January 24, 2017

BACKGROUND ANALYSIS (Continued):

- **Statement of Revenues, Expenditures, and Changes in Fund Balance**
 - This schedule reports \$189,463 in interest earned on Measure "M" Project Funds during the 2015-2016 fiscal year, \$4,628,136 in Measure "M" expenditures for salaries and benefits, services and operating expenditures, and capital outlay. These transactions net to a change in fund balance of (\$4,438,673).
- **Notes to Financial Statements**
 - These notes discuss various accounting principles used in tracking the Measure "M" Project Fund, describe the investment of the project funds in the LA County Investment Pool until spent on qualified projects, and report on construction commitments and contingencies of \$8,107,729 at June 30, 2016. The notes also include a statement regarding subsequent events, indicating that in November 2016, after the audit period, the District issued \$20,000,000 in General Obligation Bonds.
- **Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters - Based on Government Auditing Standards**
 - The auditors issued an unmodified opinion, the best rating possible.
 - The results of audit testing disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
 - There were **no material weaknesses, deficiencies in internal control, or questioned costs identified.**
 - There are **no findings and recommendations** for the year ended June 30, 2016.

Performance Audit:

The Performance Audit section of the audit report contains the following highlights:

- **Independent Auditor's Report on Performance**
 - This report indicates the District expended Measure "M" Bond Funds only for the specific projects approved by the voters, in accordance with Proposition 39 and as outlined in the California Constitution.
- **Authority for Issuance, Purpose of Issuance, Authority for the Audit, Objectives of the Audit, and Scope of the Audit**
 - These paragraphs review the District's authority to issue the bonds, the purpose for the issuances, and the Proposition 39 requirements for an annual performance audit.

(Continued)

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
COLLEGE OF THE CANYONS**

PAGE: Three

ITEM TITLE: Acceptance of Measure "M" General Obligation Bonds Financial Audit and Performance Audit for the Fiscal Year Ending June 30, 2016

MEETING DATE: January 24, 2017

BACKGROUND ANALYSIS (Continued):

- ***Procedures Performed***

- This section reviews the results of the **five procedures performed:**

Procedure #1: Auditors reviewed the general ledger to determine if bond funds were accounted for separately in the accounting records to allow for accountability.

Results: District was in compliance. Auditors noted the funds were accounted for separately in the accounting records.

Procedure #2: Auditors reviewed expenditures for exceptions in the District's procedures related to disbursement of Measure "M" Bond Funds.

Results: No exceptions were noted. Auditors reviewed 40% of all expenditures, which in part included all materially significant expenditures charged to the Measure "M" Bond Funds. Purchase orders, approved invoices, bid documentation, contracts, and budgets were reviewed and found to be compliant with Proposition 39 regulations and District Board Policies.

Procedure #3: Auditors reviewed the employee charged to Bond Funds to confirm that salary transactions were in support of Measure "M" and not for District general administration or operations, and prepared a schedule of all Measure "M" Bond Fund expenses incurred by project between July 1, 2015 and June 30, 2016. This schedule also reports inception-to-date expenses for each project.

Results: No exceptions were noted and the schedule is included in the audit document. Auditors reviewed all supporting payroll documentation for the one employee charged to the Bond Fund and found all documentation in order. Total expenses of **\$4,628,136** were reported for the period July 1, 2015 through June 30, 2016, and **\$130,818,778** in Bond Funds have been expended cumulatively from inception of the bonds through June 30, 2016.

(Continued)

SANTA CLARITA COMMUNITY COLLEGE DISTRICT
COLLEGE OF THE CANYONS

PAGE: Four

ITEM TITLE: Acceptance of Measure "M" General Obligation Bonds Financial Audit and Performance Audit for the Fiscal Year Ending June 30, 2016

MEETING DATE: January 24, 2017

BACKGROUND ANALYSIS (Continued):

Procedure #4: Auditors 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.

Results: Schedule is included in the audit document. This schedule reports **\$87,821,332** in estimated GO Bond Funds and interest available for use on projects from the first issuance, **\$37,905,702** in estimated GO Bond Funds and interest available for use on projects and debt repayment from the second issuance, and **\$26,501,977** in estimated GO Bond Funds and interest available for use on projects from the third issuance. With **\$130,818,778** in Bond Funds expended from the first, second, and third issuances as of June 30, 2016, this leaves **\$21,410,233** remaining for projects. These remaining funds will be increased by additional interest earned after June 30, 2016.

Procedure #5: Auditors calculated the balance available for expenditure of bond proceeds at June 30, 2016.

Results: Analysis of the Bond Funds on hand as of **June 30, 2016** reflects the following:

Bonds issued as of June 30, 2016	\$146,365,001
Interest/Other Sources of Revenue	5,864,008
Expenses	(130,818,778)
Planned for Expenditure	\$ 21,410,233

- **Performance Audit Conclusion and Schedule of Findings and Questioned Costs**
 - The results of the auditors' testing indicated that, in all significant respects, the 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, Bond funds were used for salaries of administrators only to the extent that the administrator charged to the Bond Fund was performing administrative oversight work on construction projects, which is an allowable expense per the State of California Attorney General. **No findings or questioned costs were identified during the Performance Audit for the year ended June 30, 2016.** The performance audit does not receive an audit opinion.



To the Board of Trustees, Management and
Citizens' Bond Oversight Committee
Santa Clarita Community College District
Santa Clarita, California

We have audited the financial statements of the Measure M General Obligation Bond Funds (Measure M) of the Santa Clarita Community College District (the District) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 11, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies related to fair value measurement and the accounting for certain external investment pools by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 72, *Fair Value Measurement and Application*, and No. 79, *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the Measure M General Obligation Bond Funds' financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2016.

Management Consultations With Other Independent Accountants

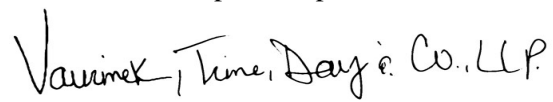
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Board of Trustees, management of the District, and the Citizens' Bond Oversight Committee of the District and is not intended to be, and should not be, used by anyone other than these specified parties.


Rancho Cucamonga, California
December 20, 2016

**SANTA CLARITA
COMMUNITY COLLEGE DISTRICT**

**MEASURE M GENERAL OBLIGATION BONDS
ELECTION 2006**

FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2016

**SANTA CLARITA
COMMUNITY COLLEGE DISTRICT**

**MEASURE M GENERAL OBLIGATION BONDS
ELECTION 2006**

FINANCIAL AUDIT

JUNE 30, 2016

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

**FINANCIAL AUDIT
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JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

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FINANCIAL SECTION



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**

ASSETS

Investments	\$ 21,895,558
Accounts receivable	<u>71,630</u>
Total Assets	<u>\$ 21,967,188</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>
Total Liabilities and Fund Balance	<u>\$ 21,967,188</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**

REVENUES

Local revenues \$ 189,463

EXPENDITURES

Current Expenditures

Classified salaries 82,206

Employee benefits 24,320

Services and operating expenditures 82,298

Capital outlay 4,439,312

Total Expenditures 4,628,136

NET CHANGE IN FUND BALANCE (4,438,673)

FUND BALANCE - BEGINNING 25,848,906

FUND BALANCE - ENDING \$ 21,410,233

See the accompanying notes to financial statements.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT MEASURE M GENERAL OBLIGATION BONDS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

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

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**

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**

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**

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**

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.

INDEPENDENT AUDITOR'S REPORT



**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.

Vavinec, Time, Day & Co., LLP

Rancho Cucamonga, California
December 20, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2016**

None reported.

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

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

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

**SANTA CLARITA
COMMUNITY COLLEGE DISTRICT**

**MEASURE M GENERAL OBLIGATION BONDS
ELECTION 2006**

PERFORMANCE AUDIT

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.


Rancho Cucamonga, California
December 20, 2016

SANTA CLARITA COMMUNITY COLLEGE DISTRICT MEASURE M GENERAL OBLIGATION BOND

JUNE 30, 2016

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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT MEASURE M GENERAL OBLIGATION BOND

JUNE 30, 2016

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.

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

JUNE 30, 2016

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

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

Fund 47

<u>Description</u>	<u>Expenditures Incurred</u>	<u>Expenditures Tested</u>	<u>Percentage of Total</u>
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%
Total	\$ 3,676,918	\$ 1,484,200	40%

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.

2012 General Obligation Bonds	July 1, 2015 to June 30, 2016 Actual Expenses	Inception-to-Date Expenses June 30, 2016
<u>Fund 45</u>		
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
Total	\$ 951,218	\$ 37,905,702

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

JUNE 30, 2016

2006 General Obligation Bonds	July 1, 2015 to June 30, 2016	Inception-to-Date Expenses
Fund 46	Actual Expenses	June 30, 2016
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
Total	\$ -	\$ 87,821,331

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

JUNE 30, 2016

2014 General Obligation Bonds Fund 47	July 1, 2015 to June 30, 2016 Actual Expenses	Inception-to-Date Expenses June 30, 2016
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
Total	\$ 3,676,918	\$ 5,091,745

**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.

Project Description	Total Estimated Cost of Project ¹	Total Anticipated Contributions from Other Sources ¹	Total Estimated Measure M Contribution First Issuance ¹
Library Expansion (Project also funded using Measure C)	\$ 15,846,069	\$ 9,452,854	\$ 6,393,215
Canyon Country Campus (Site development, modulars, and expanded scope) (Project also funded using Measure C)	58,011,265	26,000,000	32,011,265
University Center - East Wing (Project also funded using Measure C)	30,704,793	27,268,152	3,436,641
University Center - 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 (Project also funded using Measure E)	20,000,000	19,050,000	-
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 (Project also funded using Measure E)	32,000,000	17,000,000	-
Canyon Country Campus - Central Plant (Project also funded using Measure E)	9,000,000	5,443,040	-
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 COPs	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
Subtotal	289,349,106	117,085,337	87,821,332
Add Contingency	1,536,474	-	-
	\$ 290,885,580	\$ 117,085,337	\$ 87,821,332

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

² Actual costs incurred through June 30, 2016.

Total Estimated Measure M Contribution Second Issuance ¹	Total Estimated Measure M Contribution Third Issuance ¹	Total Estimated Measure M Contributions Future Issuances ¹	Total GO Bond Expenditures Through June 30, 2016 ²	Total Remaining GO Bond Balance Outstanding ¹
\$ -	\$ -	\$ -	\$ 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
<u>37,905,702</u>	<u>25,187,885</u>	<u>21,348,850</u>	<u>130,818,778</u>	<u>20,096,141</u>
-	1,314,092	222,382	-	1,314,092
<u>\$ 37,905,702</u>	<u>\$ 26,501,977</u>	<u>\$ 21,571,232</u>	<u>\$ 130,818,778</u>	<u>\$ 21,410,233</u>

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

JUNE 30, 2016

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**

None reported.

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

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

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

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
COLLEGE OF THE CANYONS**

Independent Citizens' Bond Oversight Committee

DATE: 01/24/17

ITEM TITLE Approval of Resolution 2016/17-01

- ACTION/CONSENT
- ACTION
- INFORMATION
- DISCUSSION

**Affirming the Santa Clarita Community College
District's Compliance with the Requirements as
Stated In the Law (Section 15278-15282)**

BACKGROUND ANALYSIS:

The implementing legislation (Sections 15278 through 15282 of the Ed. Code) states that the purpose of the Committee is "to inform the public concerning the expenditure of bond revenues." The specific mandatory functions of the Committee are set forth in the Code, as follows:

- ✓ Actively review and report on the proper expenditure of taxpayers' money for school construction;
- ✓ Advise the public as to whether the District is in compliance with Article XIII A, Section 1(b)(3);
- ✓ Provide oversight for both of the following:
 - Ensuring that bond revenues are expended only for the purposes described in Article XIII A, Section 1(b)(3), and
 - Ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
- ✓ Issue regular reports on the results of activities, at least once a year.

This Resolution is to affirm that the requirements specified in the law have been met.

The Santa Clarita Community College District Board of Trustees approved the consolidation of oversight functions for Measure M and Measure E on September 14, 2016, forming the Independent Citizens' Bond Oversight Committee. Once bonds are issued under the Measure E voter authorization, the committee will also review audit reports for Measure E bond expenditures.

FISCAL IMPLICATIONS:

None. The District is in full compliance and has properly expended the taxpayers' money on authorized construction projects.

RECOMMENDATIONS:

Move Approval of Resolution 2016/2017-01 Affirming the Santa Clarita Community College District's Compliance with the Requirements as Stated in the Law (Section 15278-15282) and determined by the Independent Citizens' Bond Oversight Committee at this meeting.

Submitted by:

**Approved for submission to Measure "M"
Citizens' Oversight Committee:**

Dianne G. Van Hook, Ed. D.



Recommended by:

**Dianne G. Van Hook, Ed. D.
Chancellor**

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT
INDEPENDENT CITIZENS' BOND OVERSIGHT COMMITTEE**

Resolution 2016/17-01

**Finding the Santa Clarita Community College District in Compliance With the
Requirements of the Law (Section 15278-15282)**

WHEREAS, The Independent Citizens' Bond Oversight Committee has actively reviewed and reported on the expenditure of taxpayers' Measure "M" revenues; and

WHEREAS, The Independent Citizens' Bond Oversight Committee has advised the public as to the District's compliance with Article XIII A, Section 1(b)(3); and

WHEREAS, The Independent Citizens' Bond Oversight Committee has provided oversight for ensuring that bond revenues are expended only for the purposes described in Article XIII A, Section 1(b)(3) by receiving and reviewing as follows:

- ✓ Performance and Financial Audits;
- ✓ Records of public notice, i.e., agenda postings;
- ✓ Website pages (<http://www.canyons.edu/offices/pio/bondoversight/Pages/default.aspx>); and
- ✓ Newspaper articles pertaining to bond expenditures and Committee activities; and

WHEREAS, The Independent Citizens' Bond Oversight Committee has issued regular reports on the results of activities; and

THEREFORE, Be it Resolved that the Santa Clarita Community College District Independent Citizens' Bond Oversight Committee finds the Santa Clarita Community College District in compliance with Article XIII A, Section 1(b)(3).

Passed and adopted by the Santa Clarita Community College District Independent Citizens' Bond Oversight Committee this 24th day of January, 2017 by the following vote:

Ayes: _____
Nays: _____

Abstain: _____
Absent: _____

Mr. Nicholas Lentini
Chair, Santa Clarita Community College District
Independent Citizens' Bond Oversight Committee