

SANTA CLARITA COMMUNITY COLLEGE DISTRICT
Independent Citizens' Bond Oversight Committee

January 24th, 2017
MINUTES
(Approved January 16, 2018)

The Santa Clarita Community College District Independent Citizens' Bond Oversight Committee
January 24th, 2017
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
Mr. Kevin Holmes
Mr. Don Kimball
Mr. Spencer Leafdale
Mr. Michael Lebecki
Ms. Ruthann Levison
Ms. Katherine Martinez

Members Absent: Mr. Calvin Hedman

Others Present: Dr. Dianne Van Hook, 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
Mr. Eric Harnish, Vice President, Public Information, Advocacy & External Relations
Mr. Jeffrey Forrest, Vice President, Economic and Workforce Development
Mr. Bill Rauch, Vavrinek, Trine, Day and Co., LLP
Ms. Chris Chitlik, Vavrinek, Trine, Day and Co., LLP
Ms. Cindy Grandgeorge, Associate VP, Business Services
Mr. Jason Hinkle, Controller
Ms. Balbir Chandi, Director, Fiscal Services
Ms. Mary Khair, Accountant, Fiscal Services
Ms. Stephanie Corral, PIO New Media Journalist

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. Lebecki Second: Mr. Kimball

Record of Vote: 10 – 0
(1 Member Absent)

**Approval of
Agenda
(1.2)**

Ms. Sharlene Coleal informed the committee that she was working with the District's general obligation bond Financial Advisor, legal counsel and underwriter on the first issuance of Measure E. As was done with the fourth issuance of Measure M, the District will pursue a AAA rating from Fitch, which is now an option Fitch is offering if the District's bond counsel provides a legal opinion. Funds from this first issuance of Measure E will be available approximately mid-to-late April 2017. The first issuance is needed to continue the work on the Parking Structure at Valencia Campus and the Science Building at Canyon Country Campus. These projects were partially funded with Measure M, with the balance of funding coming from Measure E.

3. FINANCIAL

Acceptance of Measure M General Obligation Bonds Financial Audit and Performance (3.1) Audit for the Fiscal Year Ending June 30, 2016

Ms. Coleal introduced the District's external auditor, Mr. Bill Rauch. Mr. Rauch is a partner with Vavrinek, Trine, Day & Co., LLP (VTD). With his oversight, VTD performs the District, COC Foundation, and GO Bond audits for the District. Ms. Coleal explained that the audit was being presented to the Oversight Committee for approval at this meeting. Mr. Nick Lentini will attend the District Board meeting tomorrow and present the Board President with a letter indicating the Oversight Committee's actions. The District's Board will then consider approval of the audit after a presentation from Mr. Lentini and Mr. Rauch.

Mr. Rauch introduced Mr. Chris Chitlik, the Audit Supervisor from VTD who supervises the on-site audit team. Mr. Rauch then provided an overview of the audit report. He indicated there are two reports contained in the document: the Financial Statement Audit and the Performance Audit.

Financial Statement Audit:

- Page 3 of the Financial Statement audit contains the auditor's opinion. The auditors issued an unmodified opinion, which is the cleanest opinion and the highest rating possible. It means the District acted in accordance with U.S. audit standards. This is the highest level assurance an auditor can provide.
- Page 4 provides a Balance Sheet reflecting \$21.4 million of unspent bond funds on hand at 6/30/16, which are held at the Los Angeles County Office of Education/Los Angeles County Treasurer.
- Page 5 indicates interest of \$189,463 was earned on the bond project funds during the 2015-16 fiscal year, and again reports an ending fund balance at 6/30/16 of \$21.4 million.
- There were no issues, no findings, and no areas of non-compliance to report in the Financial Statement Audit.

Performance Audit:

- The purpose of the Performance audit is to provide a review to determine if bond funds are being expended in accordance with the ballot text (Management has only authorized expenses for projects within the voter approval) and confirm that an Oversight Committee has been established.
- No audit findings were issued.
- 40% of all expenditures were tested. The testing is comprehensive, including ensuring purchase orders, contracts, and bids are in place, per internal procedures and state regulations. The

auditors test to ensure District policy and procedure are being followed, as well as Public Contract Code and other applicable regulations.

- Page 8 includes the audit conclusion, which states that the District has properly accounted for the expenditures of Measure M funds.

Committee member Mr. Kevin Holmes provided a summary of the key “takeaways” from Mr. Rauch’s presentation:

- There were 2 audits and essentially 3 opinions:
 - Financials – The numbers are right.
 - Internal Controls – No material weaknesses.
 - Performance Audit – Spent the money the way it was supposed to be spent.

Committee member Mr. Michael Hogan asked who the “watchdog” is. Mr. Rauch explained that the Oversight Committee is a community group that makes sure information is transparent to the community, and the “watchdog” is the District’s management. For instance, Mr. Schrage has the responsibility to use the funds appropriately as he carries out his management responsibilities.

Mr. Holmes added that the Committee should ask questions they think the community will want to know the answers to.

Mr. Rauch added that although the Committee has a fiduciary responsibility, it is not their job to review invoices (they go through the proper District channels and are sampled and audited). The Committee reviews the bigger picture.

Ms. Coleal added that she will continue to send the Committee Quarterly Reports to ensure that they have had a chance to review the current financial data before they receive the audit.

Mr. Rauch reminded the Committee that there are detailed schedules in the audit for the Committee to review, which include inception-to-date expenses. Ms. Coleal indicated the District has no arbitrage issues, which would only occur had the District been issuing bonds and holding the project funds to earn interest income. Mr. Rauch added that issuing bonds is not an investment tool, and bonds should be issued as needed.

Mr. Don Kimball commented that the audit report was impressive, and asked how Mr. Rauch determined the 40%. Mr. Rauch indicated that after a discussion with management, 40% was determined to be significant to ensure a good sample size. His percentage of expenditures reviewed often varies depending on the size of invoices, and the percentage agreed to is determined to be a good representative sample. In some years, 100% has been tested (especially at the beginning or end of a bond authorization). Dr. Van Hook added that in the past if she has been uncomfortable with the performance of a particular vendor, she has requested a 100% audit review.

Mr. Schrage pointed out that the sampling of invoices, contracts and bids was truly random, and that the District is not given advance warning on which transactions will be reviewed.

Mr. Rauch suggested the Committee should keep vigilant, and continue to review the information provided and ask questions. Ms. Coleal provided the context that the Los Angeles County Office of Education also audits the Measure M transactions since the District is fiscally dependent on the County.

Mr. Holmes indicated there is a lot of continuity here with the audit protocols. His involvement with the COC Foundation and District audits has provided him with the insight that there is a level of documented policy and procedure that can help in any type of transaction.

Mr. Hogan indicated this is the third time he has been involved in an Oversight Committee, and he is impressed with the results. The Committee all agreed that the positive audit was due to the District's incredible leader, Dr. Dianne Van Hook, as well as Ms. Sharlene Coleal and the Business Services staff and Mr. Jim Schrage and the Facilities staff.

Mr. Lentini called for a vote, and the Committee moved approval of Measure M General Obligation Bonds Financial Audit and Performance Audit for the Fiscal Year Ending June 30, 2016.

Motion: Mr. Difatta Second: Mr. Hogan Record of Vote: 10-0
(1 Member Absent)

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) (3.2)

The Committee moved 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).

Motion: Mr. Hogan Second: Mr. Difatta Record of Vote: 10-0
(1 Member Absent)

4. OTHER

Comments by Members of the Audience on Any Item Not on the Agenda (4.1)

Mr. Lentini asked if anyone had additional comments. There were no comments.

5. ADJOURNMENT AND ANNOUNCEMENT OF NEXT MEETING

Adjournment (5.1)

The meeting was adjourned by Mr. Lentini. The next meeting's time and place will be determined at a later date.