Measure “M” Citizens’ Oversight Committee
Santa Clarita Community College District

January 14, 2014
3:00 p.m. to 4:00 p.m.

College of the Canyons | ASG Conference Room STCN-129
26455 Rockwell Canyon Road, Santa Clarita, CA 91355

AGENDA

1. PRELIMINARY FUNCTIONS
   1.1 Call to Order/Establishment of a Quorum
   1.2 Approval of Meeting Agenda ACTION
   1.3 Welcome Guests
   1.4 Approval of Meeting Minutes October 22, 2013 ACTION

2. FACILITIES
   2.1 Construction Update: Measure M–Funded Projects: Culinary Arts, Student Services/Administration INFORMATION/ORAL

3. FINANCIAL
   3.1 Acceptance of Measure M General Obligation Bonds Financial Audit & Performance Audit for the Fiscal Year Ending June 30, 2013 ACTION
   3.2 Approval of Resolution 2013/14-01 Affirming the Santa Clarita Community College District's Compliance with Requirements as Stated in the Law (Section 15278-15282) ACTION

4. OTHER
   4.1 Comments by Members of the Audience on Any Item NOT ON THE AGENDA ORAL
   4.2 A Building Hard Hat Tour INFORMATION

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 Chancellor's Office at College of the Canyons at least 24 hours before the scheduled meeting.
The Santa Clarita Community College District Measure "M" Citizens' Oversight Committee meeting was held on October 22, 2013 in the Art Gallery, College of the Canyons, 26455 Rockwell Canyon Road, Santa Clarita, California 91355

Members Present: Ms. Barbara Cochran
Mr. John Hoskinson
Mr. Nicholas Lentini
Ms. Jill Mellady
Mr. Calvin Hedman
Mr. Michael Hogan (arrived at 3:06 p.m.)
Mr. Ryan Joslin

Members Absent: Mr. Alan Difatta
Mr. Kevin Holmes

Others Present: Dr. Dianne Van Hook, Chancellor (Arrived 3:09 p.m.)
Ms. Sharlene Coleal, Assistant Superintendent/Vice President, Business Services (Arrived 3:07 p.m.)
Mr. Jim Schrage, Assistant Superintendent/Vice President, Facilities Planning, Operations and Construction
Ms. Balbir Chandi, Director, Fiscal Services
Ms. Cynthia Fernando, Accounting Technician
Ms. Suzanne Finne, Administrative Coordinator, Chancellor's Office

A quorum was declared and the meeting called to order at 3:06 p.m. by Mr. Lentini.

The Committee moved approval of the meeting Agenda.
Motion: Hogan Second: Hoskinson Record of Vote: 7-0

The Committee moved approval of the October 22, 2013 meeting minutes.
Motion: Hogan Second: Hoskinson Record of Vote: 7-0
Mr. Schrage provided a photo presentation and oral summary of building projects underway on the Valencia campus for Committee members.

Highlights were as represented below:

- **Student Services/Administration Building:**
  - 25% of the project is in the dirt.
  - The timeline going vertical with steel frame was reviewed.
  - Since August 5, a 120-foot steel crane has been lifting the steel and cranes put the bolts in the holes.
  - Decks were poured the week of October 15, 2013.
  - The next phase, waterproofing, is scheduled before the end of the year.
  - The project is currently two months ahead of schedule.
  - COC's goal is to have the building completed by the time the accreditation team visits next year.

- **Culinary Arts Building**
  - Photos were shared of the former "Village" as it was moved out of the area where the Culinary Arts Institute is being built.
  - It was noted that the project ran into some delays up front due to some soils irregularities: Before that area was filled in many years ago, someone had buried trees and shrubs. This called for the current excavation team to keep digging until "natural fill" was hit.
  - The area is now compacted fill and set to spec.
  - Underground utilities are going in.

Mr. Lentini thanked Mr. Schrage and noted it is important that the Committee receive updates as to where the money from the bonds is going.

Ms. Coleal reviewed the Life-to-Date Expenses report for the Committee by Project ending 6/30/13.

Ms. Coleal reviewed the Life-to-Date Expenses report for the Committee by Project ending 9/30/13.

Ms. Coleal reviewed the Measure M Match to be provided by the State Scheduled Maintenance Block Grant Funding

Overview of Upcoming Measure “M” Funded Projects: Culinary Arts, Student Services/Administration, Technology (2.1)

Review of Life-to-Date Expenses by Project (3.1)

Review of Life-to-Date Expenses by Project (3.2)

Measure M Provides Match for State Scheduled Maintenance Block Grant Funding (3.3)
Mr. Lentini asked for any items from the floor.

- Dr. Van Hook offered her comments and insight on several topics:
  
  ✓ First, she thanked the Committee for taking time out of their schedules to meet and serve on the Citizens' Oversight Committee, and underscored how we have moved our meeting venue around both campuses to showcase the buildings and projects funded by Measure M dollars.

  ✓ Second, she noted that part of the challenge as we began to build the Administration & Student Services structure was to get the full amount of matching funds we were expecting from the State at the time we broke ground on this building. She noted that Jim Schrage has been tenacious on this front! Mr. Schrage has to be given credit, since he often went “into the ring” with Fred Harris [State Chancellor’s office] about who was going to keep the savings on the Administration & Student Services building. And we won! (Go Jim!)

  ✓ Third, she explained the impact of the lack of a statewide construction bond being placed before the voters.
    - As a result of the State’s delay in placing GO Bonds on the ballot, we do not have the matching funds from the State for projects for which we have received approval at the state level.
    - The good news is that as the economy continues its recovery and construction costs increase, our funding match to State funds is affected: our local contribution is reduced to a 15% match on the first two buildings at the Canyon Country Campus instead of the 50% match that we budgeted for each project. Great News!
    - That means we have more local dollars to help provide future State matching dollars needed to get more State money.
    - We will only issue [future bonds] in an amount that we know we will be able to spend, in a timeframe when we receive a match from the State.

  ✓ Fourth, relative to the Culinary Arts Institute, reinforced that the Culinary Arts initiative is all local funding.
    - We were able to use savings from the Library Expansion and put $3 million of that savings into the Culinary building.
    - The rest of the funding is being raised by the Foundation and grants.

  ✓ Fifth, in answer to a question about parking demand, she noted that the College had rented a lot on Tourney Road for the fall semester and arranged shuttle services to expand spaces for students and staff during the first three to four weeks of the
semester due to anticipated demand.
  o Of the 250 spaces rented, only 50 were utilized regularly during this timeframe.
  o Stated that for every building we open at CCC, we can count on a 5%-6% migration of student population from Valencia to CCC so we expect relief on the demand of the Valencia site.
  o Seventy-eight percent of CCC students took most of their classes at the campus.
  o The only thing preventing more students from attending CCC is the lack of space which limits offerings.

The Committee discussed the next timeframe for a meeting, and January was selected. The specific date depends upon the first Board of Trustees meeting of the year.

The Chair moved adjournment of the meeting at 3:55 p.m.
Motion: Lentini Second: Hoskinson Record of Vote: 7-0

Following adjournment, Mr. Schrage and Dr. Van Hook toured the Committee members around the Administration & Student Services building site to view the progress of the Measure M funded building.

Announcement of Next Meeting & Adjournment (5.1)
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, and an additional $35 million in bonds in May 2012. The District has a remaining authorization of $45 million in bonds to be issued at a future date.

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, 2013, 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 summarized below. Copies of the audit report are attached to this agenda item and are also available from the Business Services Department upon request.

Financial Audit:

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

- **Independent Auditors’ Report on Internal Control and Compliance**
  - 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 $21,885,907.

(Fixed 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:


Submitted by: Dianne G. Van Hook, Ed. D.

Approved for submission to Citizens’ Oversight Committee:

Dianne G. Van Hook, Ed. D.
Chancellor

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January 14, 2014, Item 3.1, Page 1
BACKGROUND ANALYSIS (Continued):

• **Statement of Revenues, Expenditures, and Changes in Fund Balance**
  - This schedule reports $161,501 in interest earned on Measure M Project Funds, $5,516,481 in Measure M expenditures for salaries, services, and capital outlay, and $10,225 in other sources of revenue from a rebate of unused cost of issuance funds from the bonds issued in May 2012.

• **Notes to Financial Statements**
  - These notes discuss various accounting principles used in tracking the Measure M Project Fund, investment of the project funds until spent, and report on construction commitments and contingencies at June 30, 2013.

• **Independent Auditor’s Report on Internal Control Over Financial Reporting and Compliance.**
  - 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, 2013.

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 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.

• **Procedures Performed**
  - This section reviews the results of the six 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.

    (Continued)
BACKGROUND ANALYSIS (Continued):

**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 67% of all expenditures, which included all materially significant expenditures charged to 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.  
**Results:** No exceptions were noted. Auditors reviewed all supporting payroll documentation for the one employee charged to the Bond Fund and found all documentation in order.

**Procedure #4:** Auditors prepared a schedule of all Measure M Bond Fund expenses that were incurred between July 1, 2012 and June 30, 2013. Also included in this schedule were inception-to-date expenses for each project.  
**Results:** Schedule is included in the audit document. Total expenses of $5,516,481 were reported for the period July 1, 2012 through June 30, 2013, and $103,663,762 in Bond Funds have been expended cumulatively from inception of the bonds through June 30, 2013.

**Procedure #5:** 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 $87,813,008 in estimated GO Bond Funds and interest available for use on projects from the first issuance and $37,736,661 in estimated GO Bond Funds and interest available for use on projects and debt repayment from the second issuance. With $103,663,762 in Bond Funds expended from the first and second issuances as of June 30, 2013, this leaves $21,885,907 remaining for projects. These remaining funds will be increased by additional interest earned after June 30, 2013.

(Continued)
BACKGROUND ANALYSIS (Continued):

Procedure #6: Auditors calculated the balance available for expenditure of bond proceeds at June 30, 2013.

Results: Analysis of the Bond Funds on hand as of June 30, 2013 reflects the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds issued</td>
<td>$120,177,115</td>
</tr>
<tr>
<td>Interest/Other Sources of Revenue</td>
<td>5,372,554</td>
</tr>
<tr>
<td>Expenses</td>
<td>(103,663,762)</td>
</tr>
<tr>
<td>Balance Remaining</td>
<td>$ 21,885,907</td>
</tr>
</tbody>
</table>

- 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 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, 2013.** The performance audit does not receive an audit opinion.
SANTA CLARITA
COMMUNITY COLLEGE DISTRICT

MEASURE M GENERAL OBLIGATION BONDS
ELECTION 2006

AUDIT REPORT

JUNE 30, 2013
SANTA CLARITA
COMMUNITY COLLEGE DISTRICT

MEASURE M GENERAL OBLIGATION BONDS
ELECTION 2006

FINANCIAL AUDIT

JUNE 30, 2013
FINANCIAL SECTION

Independent Auditors' Report

Financial Statements

Balance Sheet

Statement of Revenues, Expenditures, and Changes in Fund Balance

Notes to Financial Statements

INDEPENDENT AUDITORS' REPORT

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statement Findings

Summary Schedule of Prior Audit Findings
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INDEPENDENT AUDITORS' 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, 2013, 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 statements 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 entity'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 entity'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 our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Measure M General Obligation Bonds (Measure M) of the Santa Clarita Community College District at June 30, 2013, and the results of its operations for the period then ended in conformity with accounting principles generally accepted in the United States of America.

-1-
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 results of operations of Santa Clarita Community College District in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2013, 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 and should be considered with the results of our audit.

Vaurinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 16, 2013
SANTA CLARITA COMMUNITY COLLEGE DISTRICT
MEASURE M GENERAL OBLIGATION BONDS

BALANCE SHEET
JUNE 30, 2013

ASSETS
  Investments $ 21,941,663
  Accounts receivable 52,107
  Total Assets $ 21,993,770

LIABILITIES AND FUND BALANCE

LIABILITIES
  Accounts payable and accrued liabilities $ 107,863

FUND BALANCE
  Restricted
    Capital projects
  Total Liabilities and Fund Balance $ 21,885,907

  $ 21,993,770

See the accompanying notes to financial statements.
## REVENUES

| Local revenues                       | $ 161,501 |

## EXPENDITURES

| Classified salaries                  | 75,000    |
| Employee benefits                    | 22,763    |
| Services and operating expenditures  | 10,800    |
| Capital outlay                       | 5,407,918 |

**Total Expenditures**

|                           | 5,516,481 |

## DEFICIENCY OF REVENUES OVER EXPENDITURES

|                           | (5,354,980) |

## OTHER FINANCING SOURCES

| Other sources             | 10,225     |

## NET CHANGE IN FUND BALANCE

|                           | (5,344,755) |

**FUND BALANCE - BEGINNING**

|                           | 27,230,662 |

**FUND BALANCE - ENDING**

|                           | $ 21,885,907 |

See the accompanying notes to financial statements.
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.

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.
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 are liquidated at June 30 since they do not constitute expenditures or liabilities.

Fund Balance - Governmental Funds

As of June 30, 2013, the fund balance of the Measure M General Obligation Bonds was 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.

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.

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.