



**SANTA CLARITA  
COMMUNITY COLLEGE  
DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2016**

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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December 20, 2016

Vavrinek, Trine, Day & Co. LLP  
10681 Foothill Blvd., Suite 300  
Rancho Cucamonga, CA 91730

To Whom It May Concern:

The Santa Clarita Community College District's College of the Canyons (COC) is recognized as one of the most innovative community college districts in California. Specifically, our forward-thinking campus culture encourages faculty, staff and administrators to propose and implement new curricula, programs and ideas that, together, keep COC on the leading edge with emerging and developing industries and our students.

### **FISCALLY RESPONSIBLE**

At the end of each fiscal year, audits are performed by an independent Certified Public Accounting firm that specializes in community college oversight. Their scope of work includes financial and compliance audits for the Santa Clarita Community College District and the College of the Canyons Foundation, as well as financial and performance audits for the District's general obligation bond funds.

### **WHAT PROCESS DO WE USE**

Working with and interviewing various individuals at the District who have responsibility for fiscal oversight to assess the systems and procedures of accounting utilized by the District, the auditors determine the degree to which the District complies with rules and regulations as set forth in State regulations and the Accounting Manual for California Community Colleges and, subsequently, determine that the accountability and propriety of expenditures have been carried out accordingly.

### **THE RESULTS ARE IN!**

At College of the Canyons, we value the audit process. It provides the District with opportunities to discuss ways to improve its business procedures and accountability mechanisms. **I am pleased report that the District has received Unmodified Opinions for Financial Statements, Federal Awards, and State Awards in the 2015-2016 audit report, with no audit findings. An Unmodified Opinion is the best opinion that can be issued for an audit, i.e., "the financial statements present fairly, in all material aspects, the financial position of the business type activities of the District as of June 30, 2016."** Since 2002, the District has received Unqualified/Unmodified Opinions on 98 percent of its audits.

These Unmodified Opinions on the audit reaffirm the high level of fiscal responsibility in the Santa Clarita Community College District, and underscores our compliance with appropriate accounting procedures and controls:

- The District remains committed to sound fiscal risk management practices, and the audit reaffirms our ability to deal with:
  - ✓ The State of California's lack of a funding mechanism for community college education; and
  - ✓ Maintaining a strong financial position with adequate reserves.

Simultaneously, as State funding continues to recover from the recession, we move forward, carrying out our vision, engaging in systematic planning, and seeking all opportunities to expand access for our students and the businesses in our service area. *It is important to note that we are one of only 12 college districts, out of 72, to return, and then exceed, 2008 enrollment and funding levels.*

### **DILIGENCE HAS EXCELLENT OUTCOMES**

After 46 years of operation, College of the Canyons remains student-focused, innovative, responsive, diverse and caring. Individual actions and a commitment to teamwork contribute to our collective success. This commitment's halo effect can be seen in the public acknowledgements that the college has earned through our collective diligence and effort. In fact, our position as a leader among our peers was shown in myriad ways, and throughout fiscal year 2015-16 as we:

- ✓ Earned the **2015 Student Success Award**, the highest recognition from the California Community College State Chancellor's Office;
- ✓ Received the **Board of Governors 2015-16 Exemplary Program Honorable Mention Award for the "Accelerate Your Dreams to Reality" project**;
- ✓ Won the **California Community College Classified Senate (4CS) Model Senate Award** (this honor is given to only three of California's 113 community colleges);
- ✓ Claimed our **third consecutive** Western States Conference **Supremacy Award** for athletic and academic excellence;
- ✓ Implemented new degrees and certificates of achievement for our students and the community, bringing the **total of associate degrees to 83, with 23 Associate Degrees for Transfer (ADT)** that provide a seamless transfer pathway to the California State University system;
- ✓ **Ranked** No. 2 among 113 community colleges for our completion rate by college-prepared students, **and** fifth for completion **for under-prepared students**. Overall, we **rank 10<sup>th</sup> in California for completion by all students**;
- ✓ **Formulated and launched the "Zero Textbook" initiative** to provide students with textbook-free courses of study, allowing them to attain their associate degrees while saving thousands of dollars on textbooks;
- ✓ Were named **one of 11 institutions** from across the nation selected to participate in a **strategic partnership with OpenStax** to encourage the increased use of free, peer-reviewed textbooks that will help make college more affordable for students;
- ✓ Generated \$15.9 million in grants – a 72 percent increase **over** revenue secured in **2014-15**;
- ✓ Became **the only community college in California** to hire a **full-time academic program mentor to support student-athletes**;
- ✓ Became the **only community college in the country** to have a project accepted for this year's high-altitude **NASA research flight**;
- ✓ **Opened MakerSpaces on both campuses** giving students the chance to use tools that enable them to bring ideas into reality using equipment such as 3-D printers, laser and vinyl cutters, industrial tools and much more;
- ✓ **Empowered students through the implementation or expansion of several software and/or student-centric online programs** that allow them to gather information and paperwork as well as plan their education pathways;
- ✓ Continued to build a faculty, staff and administrative structure by **hiring 153 new and replacement employees while realigning the instructional administration to add more academic deans**, developed two new areas of instruction and founded the instructional schools as a replacement for "Academic Affairs";
- ✓ Graduated more students in June 2016 than ever before in our college **history**, with 1,766 students applying for graduation, an increase of 21 percent over the 2014-15.

## **STATEWIDE LEADERSHIP**

Recognizing that the California Community College system is only as great as the sum of its individual colleges, College of the Canyons has taken on a variety of leadership roles for a number of Statewide initiatives and programs, including:

- ✓ Stepping up as the coordinator for the Institutional Effectiveness Partnership Initiative (IEPI), a Statewide collaborative effort to advance the effectiveness of California Community Colleges. This group's goal is to significantly reduce the number of accreditation sanctions and State and Federal audit issues while enhancing the overall system's ability to serve its students effectively and improve on student success in measurable ways. To date, **the IEPI Partnership Resource Teams have visited and provided assistance to 60 colleges, districts and centers;**
- ✓ **Launch of IE<sup>2</sup>, the Institutional Effectiveness and Inclusive Excellence Steering Committee** to develop and articulate the institutional approach to fostering an equity-minded, learning-centered and inclusive community for all students, faculty and staff. **Even in its infancy, this integrated planning and data system became a "model" in the State;**
- ✓ **Leading the way in "Doing What Matters,"** an important initiative from the State Chancellor's Office Division of Workforce and Economic Development, working to bridge the skills and jobs mismatch and prepare California's workforce for 21<sup>st</sup> century careers;
- ✓ **Expansion of the use of Open Educational Resources (OER) in the classroom, saving students \$1.5 million in textbook costs last year alone and assisted in getting \$5 million in the State budget** to help other community colleges to do so.

## **DOING OUR PART TO DEVELOP THE LOCAL ECONOMY**

There are 113 community colleges in California, yet College of the Canyons stands out time and again when standard metrics are compared. Our consistency can only be attributed to our collective dedication—administrators, faculty and staff alike—to **ensuring that everyone in our service district who wants** a college education or high-quality CTE training has access to an affordable solution.

We work extremely hard to develop new relationships and expand those already existing in our service region. Because of that focus on collaboration, we do what so many other community colleges cannot, such as:

- ✓ Creating training programs specific to our business partners' specifications;
- ✓ **Expanding partnerships, including the collaboration we have with the Pitchess Detention Center,** by adding more English, Math, and Business classes, as well as offering solar installation training to inmates;
- ✓ Designing and launching industry-recognized certificates in cyber-security training;
- ✓ **Implementing the SCV Economic Development Corporation's Start-Up Weekend,** which attracted nearly 50 entrepreneurs in its first offering during FY 2015-16;
- ✓ **Supporting the establishment and growth of 791 businesses by providing 3,368 hours of one-on-one consulting** through a team of professionals in many areas of expertise with **56 businesses started, 341 jobs created and 52 jobs retained;**
- ✓ **Delivering 144 training events to 1,782 entrepreneurs and business owners;**
- ✓ **Hosting approximately 40 job and recruitment fairs** with an average of 25 employers and 75 job hunters per event.

- ✓ Continuing our role as a **top location for the Los Angeles movie film and commercial industry**, generating dollars for the local economy by drawing in film crews, a designation the college has held for the last two years;
- ✓ Generating **\$17.4 million of sales growth and \$26.9 million of capital infusion** through the services offered by our Small Business Development Center.

### **CIVIC ENGAGEMENT & PARTNERSHIPS**

In addition to boosting economic development, we also built relevant and creative partnerships with entities on and off campus, which has boosted our fiscal base and resulted in an expansion of student access, support, outreach and service to our community. Some highlights of that increased access include the:

- ✓ **Launch of the McKeon Endowment & Archive** and the continued expansion of activities and information available through **our Center for Civic Engagement**;
- ✓ **Development of more than \$1.2 million in donations** through our Foundation, benefitting nearly every department and program on campus;
- ✓ Addition of **new accounting and nursing bachelor's degrees at the University Center**, bringing the total number of degrees available through our partners to 44. Since the facility's opening, nearly 2,700 students have graduated with a bachelor's degree or higher;
- ✓ Establishment of a partnership with **the USC Graduate School of Social Work – Center for Innovation and Research on Veterans & Military Families to create a Graduate Fieldwork placement site at COC** to station a supervised graduate social work student who will be able to offer social work services to the approximately 1,000 COC Veteran students.
- ✓ **Developed a Santa Clarita Valley Business Alliance**, which engages local chief executive officers to solicit information based on their needs and trends in workforce training and development. Their feedback has most recently combined with the data provided to the State Workforce and Economic Development Performance Advisory Committee (WEDPAC) by our college;
- ✓ **Collaborated with the Hart District to make the transition from high school to community college easier** by offering several gateways through which high school students and their parents may engage, including the Career Coach program, California Career Pathways Trust grant, Next Generation Science Standards Professional Development, Upward Bound and Outreach; and many more programs!

While improving civic engagement from the inside out, we have just as much enthusiasm when it comes to joining forces with our community business partners. **By pairing with organizations like the Santa Clarita Valley Economic Development Corporation (SCVEDC) and other professionals, individuals and firms**, we do all we can to prepare for future demands in our local economy to ensure long-term growth and vitality.

### **IMPLEMENTATION OF THE MASTER PLAN PROCESS (FOR FISCAL YEARS 2012-2018)**

We know that we cannot continue to grow services and student numbers without having a plan to also grow and maintain our facilities. We keep our growth managed and on track by creating and utilizing the Education and Facilities Master Plan (E & FMP). The E & FMP 2012-2018 is the current guide that details the updates and modernizations that were implemented on both COC campuses last year.

Some of the plans we completed include:

- ✓ **Modernizing and reconfiguring shared office space for our Deans** by creating separate office and meeting spaces;
- ✓ **Installing a cost-saving LED lighting system** on the Valencia campus;
- ✓ **Leveraging our long-time relationships** with the City of Santa Clarita and the Castaic Lake Water Agency, which resulted in the "Upper Field" --used by Men's and Women's Soccer teams, classes and a myriad of community athletic teams and events—being upgraded from grass to state-of-the-art artificial turf; the field also received a professional lighting system, allowing night-time use and play;
- ✓ Converting space in our Science building to create two new labs while **modernizing our Physical Science space in that same building**;
- ✓ **Moving forward with the planning and submission of documents to the State for the new-build** 32,000-square-foot Science building at our Canyon Country campus;
- ✓ Completing a 235-space parking lot at the Canyon Country campus, **improving access for students and the community**.

Looking to the future, and based on clearly identified needs in the college's Educational & Facilities Master Plan, **residents in the Santa Clarita Community College District's service area voted to pass a \$230 million construction bond, Measure E, last June 7.** Measure E, our third construction bond in 15 years, will be used to construct a new parking structure and upgrade facilities on the Valencia campus and, with matching funds from the State, will enable us to build out the Canyon Country Campus over the next 10 years. Beyond the current plan, we are nearly finished with the draft of the 2018-2022 Educational & Facilities Master Plan and it is anticipated to be finalized for distribution in February 2017.

#### **COLLEGE OF THE CANYONS – SYNONYMOUS WITH VISIONARY EXCELLENCE**

College of the Canyons has launched, managed and completed numerous complex internal and external initiatives, yet one thing remains very clear: The leadership team of the Santa Clarita Community College District consistently applies general accounting standards best practices. We implement new requirements, adjust accordingly and, with great care, maintain the necessary internal controls to safeguard the District's assets. We commit to regularly assessing and strengthening processes, as needed, to help us maintain fiscal and program integrity, as well as compliance with State and Federal regulations.

We are at a new stage in the development of the college as we now look forward to:

- ✓ Driving participation and leadership as we implement the **Doing What Matters** initiatives designed to prepare students for high-value jobs in California, as well as **create more jobs** through workforce training;
- ✓ Moving forward to implement our **2012-2018 Education & Facilities Master Plan** while updating the plan to stay current with best practices;
- ✓ Continuing to build relationships within our **Educational Alliance** and **Business Alliance** initiatives that focus on both student success and training program requirements and expanding participation throughout the region;
- ✓ Driving our **award-winning Math and English acceleration initiatives** for purposes of increasing access, equity and success for students from diverse backgrounds and further closing the achievement gap;



- ✓ Expanding faculty and staff, while initiating new curriculum, technology, programs, and partnerships that will enable us to meet our community's needs and enhance the transfer possibilities for our students;
- ✓ Increasing our leadership role in offering apprenticeships that help students grow into well-paying jobs.

In summary, the District excels by:

- ✓ Understanding the importance of proper stewardship of District funds;
- ✓ Championing increased access for an increasingly diverse student base;
- ✓ Continuing to support student success *and* student equity;
- ✓ Ensuring compliance with all Federal and State statutory requirements as well as the District's Board policies;
- ✓ Serving the educational needs of the community and the State in an exemplary manner;
- ✓ Providing students the opportunity to learn or train for tomorrow's jobs utilizing state-of-the-art equipment;
- ✓ Supporting enrollment management and student access; increasing fiscal resources through the utilization of internal services such as grant writers and the District's Foundation to raise additional funds; and
- ✓ Focusing on our increasingly global student body and determining how to best serve them now and into the future as we continue to learn from one another;
- ✓ Continuing to offer timely and relevant professional development of the college's most important resource – our people!

As we move forward decisively with a plan of action to achieve our Strategic Goals for the years 2015-2018 and beyond, we remain steadfast in our commitment to effective leadership designed to inspire open and honest communication among colleagues *and* supervisors; maintain a culture of civility campus-wide; encourage our students, faculty and staff to innovate and dream BIG; remain open to change before and as it happens, then adjusting course as necessary; and seeking out partners who can facilitate change as they magnify the impact of what we accomplish.

To achieve these goals, we strive daily to stay relevant with our students, increase our access to and use of technology and welcome change as we adapt to a continuing "globalization" of the COC microcosm. College of the Canyons will remain, always, a place where students—and anyone with the willingness and desire to learn—may come to explore their dreams, develop their goals, manage their game plans, shape futures of their own design and meet others who will teach, help or come along for the ride. This mindset serves as the springboard that allows people to soar to heights they only once imagined!

Sincerely,



Dr. Dianne G. Van Hook  
Chancellor

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Santa Clarita Community College District  
Santa Clarita, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Santa Clarita Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic 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 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 misstatements, 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, and the 2015-2016 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 49, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 100, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 101, and the Schedule of District Contributions on page 102 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **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 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 internal control over financial reporting and compliance.

Vauinek Time Day & Co., LLP

Rancho Cucamonga, California  
December 20, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **INTRODUCTION**

The Santa Clarita Community College District (the District) was established in 1967, and is one of seventy-two districts and one hundred thirteen colleges that comprise the California Community College System. The California Community College System is the largest system of higher education in the nation, with 2.1 million students attending. The system provides students with the knowledge and background necessary to compete in today's economy. With a wide range of educational offerings, the colleges provide workforce training, basic courses in English and math, certificate and degree programs, and preparation for transfer to four-year institutions.

We are pleased to present the Annual Financial Report for the Santa Clarita Community College District for the Period Ending June 30, 2016. This report was prepared using an entity-wide format as required by GASB Statement No. 35, a directive from the Governmental Accounting Standards Board (GASB). Also required by GASB Statement No. 35 is the Management's Discussion and Analysis section written by the District's Administration which provides an analysis of the District's overall financial position and results of operations. Responsibility for the completeness and fairness of the information in this section resides with the District.

This Annual Financial Report follows the Business-Type Activity (BTA) model for financial statement reporting purposes, as recommended by the California Community Colleges Chancellor's Office. The financial statements were prepared using the accrual basis of accounting, and include all capital assets and debt held by the District.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### COMPONENTS OF THE ANNUAL REPORT

The 2015-2016 Annual Financial Report is organized into the following main sections:

#### FINANCIAL SECTION

The Financial Section contains three basic financial statements that provide information on the District's activities as a whole: **Statement of Net Position – Primary Government; Statement of Revenues, Expenses, and Changes in Net Position – Primary Government; and Statement of Cash Flows – Primary Government.** Condensed versions of these three statements are included in the Management's Discussion and Analysis, and the complete versions of these three statements appear in the audit report on pages 50 through 53.

#### Statement of Net Position – Primary Government (Balance Sheet)

In 2003, GASB 35 was established to require Public Agencies to present their financial statements in the same format as private entities in order to establish a consistent format for anyone reviewing the report.

To comply with GASB 35, the Statement of Net Position (Balance Sheet) combines the value of assets and liabilities held in the 21 funds of the District's books and records with adjustments which are required by GASB 35 through manual entries.

#### Statement of Net Position Reports Total Net Position of \$2,800,626:

- **\$ 61,115,911 in Net Investment in Capital Assets.** This category includes the ending fund balance in the General Obligation Bond fund (Fund 47) of \$21,410,233. GASB 35 manual entries are then applied as follows: **Add** the value of capital assets based on acquisition cost of \$338,257,302 **deduct** accumulated depreciation of \$73,350,953, **add** the value of debt issuance expenses (costs of issuance) amortized over the life of the debt of \$5,875,461, **deduct** related debt (General Obligation Bond debt, Certificates of Participation, and notes payable) of \$231,076,132.
- **\$ 7,439,577 in Assets Restricted for Debt Service Expenditures.** This amount represents the ending fund balances in the District's two debt service funds (Funds 21 and 29) set aside for future debt service repayments – one for general obligation bond repayment and the second for all other debt repayment for a total of \$9,842,515. GASB 35 manual entries are then applied as follows: **Deduct** un-matured interest on long-term obligations of \$2,402,938. Un-matured interest on long-term obligations, such as General Obligation Bonds, occurs when interest obligations exist but have not yet been billed to the District.
- **\$ 4,613,606 in Assets Restricted for Capital Projects Expenditures.** This amount represents the ending fund balances in the District's capital funds (Funds 41, 43, 44, and 49) as of June 30, 2016 - except the General Obligation Bond Fund.
- **\$ 2,515,381 in Assets Restricted for Educational Programs.** This category represents the ending fund balance of the Restricted General Fund (Fund 12), which is restricted for the Basic Skills, Staff Diversity, Credit Student Success and Support, Non-Credit Student Success and Support, Student Equity Categorical Programs, Instructional Equipment Block Grant, and funds from Student Health Center fees to be used for expenses related to the operation of the Health Center.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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- **\$ 570,155 in Assets Restricted for Other Activities.** This amount represents the ending fund balance of the Student Center Remodel fund (Fund 39), which holds the student approved Student Center Fee income that comes from students fees assessed at \$1 per unit until it is needed to pay debt service on the Student Center Remodel Project.
- **(\$73,454,004) in Unrestricted Net Assets.** This category includes all other cash in banks, investments in the Los Angeles County Treasury (the District is fiscally dependent on the Los Angeles County Office of Education, which requires the District to invest its funds in the Los Angeles County Treasury), accounts receivable, accounts payable, and prepaid expenses in the District's operating funds (Funds 11, 32, 33, 37, 57, 58, 59, 68, 69, 72, 74 and Associated Student Government) of \$21,632,327.

GASB 35 manual entries are then applied as follows: **Deduct** other District liabilities from early retirement incentives, compensated absences, and Net OPEB obligation of \$5,552,269, **deduct** Trust and Agency funds containing amounts held in trust on behalf of others (Fund 72, Fund 69, and Associated Student Government) of \$6,388,740, **deduct** general obligation bond capital appreciation bond accreted interest to date of \$11,018,858, and **deduct** the District's share of STRS and PERS aggregate net pension obligations and related adjustments of \$72,126,464. It is important to note that the deduction to net assets for the District's share of STRS and PERS obligations is a new entry beginning in the 2014-2015 fiscal year. Prior to that, this STRS and PERS obligation was not included in the District's Financial Statements.

### Statement of Revenues, Expenses, and Changes in Net Position – Primary Government (Income Statement)

This statement focuses on revenues and expenses associated with the District's activities, including: State apportionments, property taxes, student fee revenue, salaries and benefits, supplies, equipment, etc. It is intended to summarize and simplify the user's analysis of the revenues and expenses associated with District operations.

### Statement of Cash Flows – Primary Government

This statement provides an analysis of the sources and uses of cash as they pertain to the operations of the District by adjusting the beginning balance for increases and decreases in cash, including cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities.

### Fiduciary Funds

This section reports net position and changes in net position for the funds held by the District in trust funds for STRS and PERS Liability (Fund 68), Retiree Health Benefits (Fund 69), Student Representation Fees (Fund 72), and the Associated Student Government (Accounted for by the ASG).

### Notes to the Financial Statements

These notes are also included in the Financial Section and summarize significant accounting policies, provide a schedule of capital debt, provide detail on accounts payable and receivable at year end, and provide details on capital assets and related depreciation to provide additional context and information as the reader reviews the financial statements.



# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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### **REQUIRED SUPPLEMENTARY INFORMATION SECTION**

The required supplementary information section contains information on the District's progress in funding other postemployment benefits (OPEB) based on an actuarial study performed effective January 1, 2015. The District's current actuarial accrued liability is \$8.6 million. Although the District set aside over \$4.6 million towards this liability in a Retiree Benefits fund as of June 30, 2016, the set aside amount is not reported in this section because the funds are not in an irrevocable trust, which is what defines the OPEB liability as funded per GASB standards.

This section includes new schedules on the District's proportionate share of the STRS and PERS systems' net pension liability and the District's contributions to STRS and PERS for the year ended June 30, 2016. These schedules are included in response to GASB 68, a new accounting standard that is meant to improve the information provided by State and local government employers about financial support for pensions provided by other entities.

### **SUPPLEMENTARY INFORMATION SECTION**

**This section includes additional detailed information:**

- District Organization (Background information on the District, Governing Board, and Administrators)
- Schedule of Expenditures of Federal Awards (Grants and Financial Aid)
- Schedule of Expenditures of State Awards (Grants, Categorical and Financial Aid)
- Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
- Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation
- Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements
- Proposition 30 Education Protection Act (EPA) Expenditure Report
- Reconciliation of Governmental Funds to the Statements of Net Position
- Note to Supplementary Information

### **INDEPENDENT AUDITOR'S REPORTS SECTION - COMPLIANCE**

**The auditors are required to review the financial statements and records of the District and report on compliance in the following areas:**

- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
- Report on Compliance for Each Major Program and Report on Internal Control Over Compliance
- Report on State Compliance

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION**

**This section provides the reader the following schedules of findings and questioned costs:**

- Summary of Auditor's Results
- Financial Statement Findings and Recommendations
- Federal Awards Findings and Questioned Costs
- State Awards Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

### CONDENSED FINANCIAL INFORMATION - ENTITY WIDE

The detailed entity-wide financial statements contained in this Annual Financial Report and described in detail in the Components of the Annual Report section of the Management's Discussion and Analysis are condensed and summarized below to help the reader easily visualize and understand changes in major categories over the past few years:

#### NET POSITION

As of June 30,

(Amounts in thousands)

	2016	2015	Change 2015-2016
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 71,049	\$ 60,758	\$ 10,291
Accounts receivable	8,251	6,694	1,557
Other current assets	907	179	728
Total Current Assets	80,207	67,631	12,576
Capital Assets (net)	264,906	268,478	(3,572)
Total Assets	345,113	336,109	9,004
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	5,875	264	5,611
Deferred outflows of resources related to pensions	18,215	4,824	13,391
Total Assets and Deferred Outflows	\$ 369,203	\$ 341,197	\$ 28,006
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued interest payable	\$ 22,418	\$ 17,486	\$ 4,932
Unearned revenue	5,258	3,779	1,479
Current portion of long-term obligations	7,361	7,190	171
Total Current Liabilities	35,037	28,455	6,582
Long-Term Obligations	315,356	301,130	14,226
Total Liabilities	350,393	329,585	20,808
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	16,009	17,452	(1,443)
Total Liabilities and Deferred Outflows	366,402	347,037	19,365
<b>NET POSITION</b>			
Net investment in capital assets	61,116	73,470	(12,354)
Restricted	15,139	9,960	5,179
Unrestricted	(73,454)	(89,270)	15,816
Total Net Position	2,801	(5,840)	8,641
Total Liabilities, Net Position, and Deferred Inflows	\$ 369,203	\$ 341,197	\$ 29,449

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### Current Assets

The District's Total Current Assets at June 30, 2016 were valued at \$80.2 million, with the largest components being investments of cash held in the Los Angeles County Treasury for future expenditures such as capital construction and accounts receivable for pending revenue receipts such as State Apportionment and grant/categorical revenues to be received in the next fiscal year. Total current assets also include prepaid items.

### Noncurrent (Capital) Assets

Total Noncurrent (Capital) Assets include non-depreciable capital assets and depreciable capital assets valued at original cost net of accumulated depreciation. The District's Total Noncurrent Assets at June 30, 2016 were \$264.9 million, which included land, site improvements, buildings and improvements, and equipment.

### Deferred Outflows of Resources

Deferred Outflows of Resources include the costs of issuance related to General Obligation Refunding Bonds that were fully expensed when the bonds were issued, but for financial statement purposes the costs are amortized over the life of the debt, and deferred outflows of resources related to pensions. The District's Total Deferred Outflows of Resources at June 30, 2016 were valued at \$24.1 million and increase the net worth of the District.

### Total Assets and Deferred Outflows

Total Assets and Deferred Outflows at June 30, 2016 of \$369.2 million reflected an **increase of \$28 million** from June 30, 2015. This increase can be analyzed as follows:

- \$10.3 million **increase** in cash and investments in the LA County Treasury was attributable to increased cash balances in the Unrestricted General Fund, Restricted General Fund, Debt Service Fund, Locally Funded Capital Project Fund, STRS/PERS Liability Fund, and Retiree Benefits Fund. The increase was largely due to the District strategically setting aside some of the \$8.5 million in Mandated Cost funding for future retirement, capital, and debt service expenses. Cash and investment increases were partially offset by decreased cash balances in the General Obligation Bond Funds as the district continued to expend Bond Funds on approved projects.
- \$ 1.6 million **increase** in accounts receivable was attributable to higher accounts receivable balances for grant and categorical funding. The District had expenditures against 131 grant and categorical programs in 2015-2016, and as the number of grants and categorical programs received by the District increases so do the accounts receivable balances at year end.
- \$ 0.7 million **increase** in other current assets (prepaid expenses) was attributable to a an increase in the numbers of vendors requiring pre-payment of insurance premiums and software licensing costs attributable to the 2016-2017 fiscal year. Several vendors required pre-payment by June 30, 2016 in order to guarantee uninterrupted service for the next fiscal year.
- \$ 3.6 million **decrease** in capital assets was attributable to new construction and equipment which increased fixed assets by \$4.4 million, offset by depreciation expense for the fiscal year of \$8 million.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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- \$ 5.6 million **increase** in the outstanding value of deferred charges on refunding. This increase is the result of an adjustment to amortize the costs incurred for issuing the 2016 General Obligation Refunding Bonds. These bonds "refinanced" selected outstanding bonds, saving the taxpayers over \$35 million in debt service costs. This adjustment amortizes the costs of issuance over the life of the bonds, deferring a portion of the costs into future financial periods.
- \$13.4 million increase in deferred outflows of resources related to pensions. As of June 30, 2015, GASB 68 requires the District to include its proportionate share of the CalSTRS and CalPERS pension systems' financial information in the Annual Financial Report. This pension information includes the District's share of any underfunding (liability) or overfunding (asset) based on the two pension systems' current financial health. In addition to reporting the pension liability or asset, information on deferred outflows and deferred inflows of resources related to the pension systems are included in the Financial Report. These entries are necessary to account for events after the actuarial study measurement date and to update previously estimated information based on actual results. Deferred outflows of resources totaled \$18.2 million at June 30, 2016, an increase of \$13.4 million from the \$4.8 million reported at June 30, 2015, and consisted of entries for:
  - The District's pension contributions after the date of the latest available actuarial study, which is June 30, 2015.
  - The net change in the proportionate share of the total system liability that is attributable to the District's participation.
  - Differences between expected and actual earnings on pension plan investments.
  - Differences between expected and actual experience in the measurement of the total pension liability.

### Total Current Liabilities

Total Current Liabilities consisted of accounts payable and accrued interest payable, unearned (deferred) revenue, and the current portion (due within one year) of accrued compensated absences (earned vacation, compensatory time off, and faculty load banking) and debt obligations (General Obligation Bonds, Certificates of Participation, Notes Payable, Capital Leases, Early Retirement Incentives, and net Other Postemployment Benefits obligations). The District's Total Current Liabilities at June 30, 2016 were \$35 million.

### Total Noncurrent Liabilities (Long-Term Obligations)

Total Noncurrent Liabilities represented the long-term portion (due beyond one year) of accrued compensated absences (earned vacation, compensatory time off, and faculty load banking) and debt obligations (General Obligation Bonds, Certificates of Participation, Notes Payable, Capital Leases, Early Retirement Incentives, and net Other Postemployment Benefits obligations), and totaled \$315.4 million at June 30, 2016.

### Total Liabilities and Deferred Inflows

Total Liabilities and Deferred Inflows at June 30, 2016 of \$366.4 million reflected an **increase of \$19.4 million** from June 30, 2015. This increase can be analyzed as follows:

- \$ 4.9 million **increase** in accounts payable and accrued interest payable due to a \$5.8 million **increase** in accounts payable as compared to the previous year, partially offset by a \$.9 million **decrease** in the value of accrued interest payable (un-matured interest on General Obligation Bonds).

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2016**

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- \$ 1.5 million **increase** in unearned (deferred) revenue due to a larger amount of advances of grant funding and Performing Arts Center ticket revenues received in 2015-16 attributable to the following fiscal year.
- \$ 14.4 million **increase** in the District's Aggregate Net Pension Obligation for STRS and PERS, which was \$59.9 million at June 30, 2015 and increased to \$74.3 million at June 30, 2016.
- \$ 1.4 million **decrease** in deferred inflows of resources due to lower values for three STRS and PERS pension system adjustments: the net change in proportionate share of net pension liability, the difference between projected and actual earnings on pension plan investments, and differences between expected and actual experience in the measurement of the total pension liability.

**It is important to note that General Obligation Bond debt is included in the Total Liabilities of the District, even though this debt is repaid through property taxes collected by the Los Angeles County Treasurer and Tax Collector.**

### **Total Net Position**

The District's Total Net Position at June 30, 2016 was \$2.8 million. Total Net Position (formerly Total Net Assets) is the sum of all Assets and Liabilities. Beginning with the June 30, 2015 Annual Financial Report, the new accounting pronouncement **GASB 68** requires that the District's proportionate share of the CalPERS and CalSTRS unfunded pension liabilities be included in the Total Net Position in the financial statements. This liability is the result of pension reform requiring the State to acknowledge pension shortfalls resulting from an increased number of retirees as well as poor investment results during the economic downturn. The State of California is working to eliminate the unfunded pension liabilities in both retirement systems over the next 20 years by increasing employer contributions, so future years' financial statements should reflect an improvement in this liability entry. These required entries totaled (\$76.5) million in 2015-2016, and adjust the positive net position of \$79,340,050 to the final net position of \$2,800,626 that is reflected in the financial statements.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### OPERATING RESULTS - ENTITY WIDE For the Year Ended June 30,

(Amounts in thousands)

	2016	2015	Change 2015-2016
Operating Revenues			
Tuition and fees, net	\$ 12,584	\$ 11,743	\$ 841
Total Operating Revenues	<u>12,584</u>	<u>11,743</u>	<u>841</u>
Operating Expenses			
Salaries and benefits	91,028	83,205	7,823
Supplies, maintenance, and other expenses	49,369	43,803	5,566
Depreciation	8,549	7,987	562
Total Operating Expenses	<u>148,946</u>	<u>134,995</u>	<u>13,951</u>
Loss on Operations	<u>(136,362)</u>	<u>(123,252)</u>	<u>(13,110)</u>
Nonoperating Revenues			
State apportionments	58,768	53,794	4,974
Property taxes	19,136	14,241	4,895
Taxes levied for other specific purposes	10,241	895	9,346
Grants and contracts	46,389	37,721	8,668
State revenues	12,131	4,068	8,063
Net interest expense	(7,026)	(11,451)	4,425
Investment income	447	346	101
Other nonoperating revenues and transfers	4,245	15,651	(11,406)
Total Nonoperating Revenue	<u>144,331</u>	<u>115,265</u>	<u>29,066</u>
Other Revenues and (Losses)			
State and local capital income	686	2,000	(1,314)
Loss on disposal of capital assets	(15)	(680)	665
Total Other Revenues and (Losses)	<u>671</u>	<u>1,320</u>	<u>(649)</u>
Net Change in Net Position	<u>\$ 8,640</u>	<u>\$ (6,667)</u>	<u>\$ 15,307</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

### STATEMENT OF CASH FLOWS - ENTITY WIDE For the Year Ended June 30,

(Amounts in thousands)

	2016	2015	Change 2015-2016
Cash From			
Operating activities	\$ (121,868)	\$ (115,894)	\$ (5,974)
Noncapital financing activities	140,509	134,567	5,942
Capital financing activities	(8,727)	2,661	(11,388)
Investing activities	377	279	98
Net Change in Cash	10,291	21,613	(11,322)
Cash, Beginning of Year	60,758	39,145	21,613
Cash, End of Year	<u>\$ 71,049</u>	<u>\$ 60,758</u>	<u>\$ 10,291</u>

### FUNCTIONAL EXPENSES CLASSIFICATION For the Year Ended June 30, 2016

The District's operating expenses by functional classification for the fiscal year ended June 30, 2016, are:

(Amounts in thousands)

	Salaries and Benefits	Operation and Maintenance of Plant	Supplies, Material, and Other Expenses and Services	Equipment Maintenance and Repairs	Depreciation	Total
Instructional activities	\$ 46,328	\$ 3,747	\$ 7,798	\$ 1,725	\$ 3,677	\$ 63,275
Academic support	3,761	288	388	310	342	5,089
Student services	11,175	865	1,142	135	855	14,172
Community services and economic development	3,884	360	1,663	35	427	6,369
Institutional support	12,784	1,297	7,096	2,822	1,282	25,281
Plant operations and maintenance	3,670	(7,206)	3,397	139	-	-
Ancillary services and auxiliary operations	8,009	649	1,066	22	684	10,430
Student aid	-	-	20,715	-	-	20,715
Physical property and related acquisitions	1,417	-	217	699	1,282	3,615
Total	<u>\$ 91,028</u>	<u>\$ -</u>	<u>\$ 43,482</u>	<u>\$ 5,887</u>	<u>\$ 8,549</u>	<u>\$ 148,946</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### FINANCIAL INFORMATION BY FUND

In accordance with the State Chancellor's Office Budget and Accounting Manual, the District uses Fund Accounting. Fund Accounting is required because the District receives varied sources of revenue, some with restrictions and some without restrictions. By organizing the District's accounting system on a fund basis, revenue and expenses from these different sources can be segregated and easily tracked. Using many different funds to carry out specific activities or objectives also provides the necessary controls to ensure resources are used for their intended purposes and assists with reporting on the various resources used in the District's operations and capital construction.

Because GASB Statement No. 35 requires that all funds be combined in the District's Audited Financial Statements, the District is providing the following detail for each fund to supplement the required GASB Statement No. 35 Financial Reports presented in this audit.

**The District's accounting system contained twenty-one separate funds in 2015-2016. These funds can be separated into major categories, with each category representing a different area of focus:**

- **Governmental Funds Group - General Funds**
  - Funds in this group are used to carry out the District's educational objectives. These funds are often referred to as the "General" or "Operating" funds of the District, and include the full scope of operations for the District. The Unrestricted General Fund is used for general operations and the Restricted General Fund is used for recording grant and categorical program funds.

<b><u>General Funds</u></b>		
	<b>Unrestricted General Fund (Fund 11)</b>	<b>Restricted General Fund (Fund 12)</b>
Revenue	103,810,744	26,218,681
Transfers In (from Other Funds)	623,147	595,834
Expenditures	(90,864,673)	(24,379,856)
Transfers Out (to Other Funds)	(13,117,763)	(1,291,742)
<b>Subtotal</b>	<b>451,455</b>	<b>1,142,917</b>
Fund Balance, Beginning of Year	9,557,293	1,372,464
<b>Fund Balance, End of Year</b>	<b>10,008,748</b>	<b>2,515,381</b>
<b><i>Fund Balance Percentage</i></b>	<b>9.63%</b>	



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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- **Debt Service Funds**
  - Funds in this group are used to record the accumulation of resources and subsequent principal and interest payments which are required based on the payment schedules associated with the District's general long-term obligations.

<b><u>Debt Service Funds</u></b>		
	<b>GO Bond Interest and Redemption Fund (Fund 21)</b>	<b>District Debt Service Fund (Fund 29)</b>
Revenue	11,000,463	1,617
Transfers In (from Other Funds)		2,493,027
Expenditures	(11,971,681)	(1,866,842)
Transfers Out (to Other Funds)	-	-
<b>Subtotal</b>	<b>(971,218)</b>	<b>627,802</b>
Fund Balance, Beginning of Year	9,032,059	1,153,872
<b>Fund Balance, End of Year</b>	<b>8,060,841</b>	<b>1,781,674</b>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

- **Special Revenue Funds**

- Funds in this group are used to record revenues collected and expensed for specific support services that are not directly related to the educational program of the District. These include the Cafeteria, Child Development Center, Asset Management and Student Center Remodel Funds.

<b><u>Special Revenue Funds</u></b>				
	<b>Cafeteria Fund (Fund 32)</b>	<b>Child Development Center Fund (Fund 33)</b>	<b>Asset Management Fund (Fund 37)</b>	<b>Student Center Remodel Fund (Fund 39)</b>
Revenue	86,515	1,067,052	137	196,312
Transfers In (from Other Funds)	-	190,000	-	-
Expenditures	(89,985)	(1,186,224)	-	
Transfers Out (to Other Funds)	-	-	-	(187,975)
<b>Subtotal</b>	<b>(3,470)</b>	<b>70,828</b>	<b>137</b>	<b>8,337</b>
Fund Balance, Beginning of Year	36,901	69,968	17,494	561,818
<b>Fund Balance, End of Year</b>	<b>33,431</b>	<b>140,796</b>	<b>17,631</b>	<b>570,155</b>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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- **Capital Projects Funds**

- Funds in this group are used to account for resources used to acquire or construct major capital facilities and other capital outlay projections. The Funds and their descriptions are below:
  - **State Construction Fund**: Funds come from the State as match for District Capital Construction Projects and are to be used on those projects identified by the State Chancellor's Office based on prior approval by the Board of Governors.
  - **Locally Funded Capital Projects Fund**: These funds are transferred from the District's Unrestricted Fund or come from other local revenues like Foundation capital campaign funds or partnerships with other entities like the City or High School District which contribute to facility/building sinking funds for future renovation.
  - **Scheduled Maintenance Fund**: Funding comes from State Block Grant funding for scheduled maintenance or local General Obligation Bond funds which are designated for scheduled maintenance projects identified by the District.
  - **General Obligation Bond Funds**: These funds are used to account for project funds received from various General Obligation (GO) Bond issuances. In 2015-16, the District had two active GO Bond project funds under the Measure M voter authorization, one from the second issuance in May 2012, and one from the third issuance in September 2014.
  - **Replace Field Turf Fund**: This fund was established to accumulate contributions from the District and the local High School District to offset the cost of future repairs and/or replacement of the stadium artificial field turf.

<b><u>Capital Projects Funds</u></b>			
	<b>State Construction Fund (Fund 41)</b>	<b>Locally Funded Capital Projects Fund (Fund 43)</b>	<b>Scheduled Maintenance Fund (Fund 44)</b>
Revenue	441,590	249,929	1,890
Transfers In (from Other Funds)	-	4,900,004	-
Expenditures	(439,363)	(1,175,227)	(523,180)
Transfers Out (to Other Funds)	-	-	-
<b>Subtotal</b>	<b>2,227</b>	<b>3,974,706</b>	<b>(521,290)</b>
Fund Balance, Beginning of Year	11,675	473,141	525,889
<b>Fund Balance, End of Year</b>	<b>13,902</b>	<b>4,447,847</b>	<b>4,599</b>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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<b><u>Capital Projects Funds, Continued</u></b>			
	<b>Measure M GO Bond Fund- Second Issuance (Fund 45)</b>	<b>Measure M GO Bond Fund - Third Issuance (Fund 47)</b>	<b>Replace Field Turf Fund (Fund 49)</b>
Revenue	2,903	186,560	26,067
Transfers In (from Other Funds)	-	-	25,000
Expenditures	(951,218)	(3,676,918)	(5,660)
Transfers Out (to Other Funds)	-	-	-
<b>Subtotal</b>	<b>(948,315)</b>	<b>(3,490,358)</b>	<b>45,407</b>
Fund Balance, Beginning of Year	948,315	24,900,591	101,852
<b>Fund Balance, End of Year</b>	<b>-</b>	<b>21,410,233</b>	<b>147,259</b>

## SANTA CLARITA COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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- **Enterprise Funds**

- Funds in this group are used to account for operations that are run more like a business and are financed primarily through user charges such as the Employee Training Institute and the Performing Arts Center. These operations are supposed to be self-supporting, meaning that revenues earned from outside funding sources like patron ticket revenue or employer training contracts should offset all expenses related to running the operations, without District subsidy.

<b><u>Enterprise Funds</u></b>			
	<b>K-12 Arts Education Outreach (Fund 57)</b>	<b>Performing Arts Center Fund (Fund 58)</b>	<b>Employee Training Institute Fund (Fund 59)</b>
Revenue	305,988	314,164	931,203
Transfers In (from Other Funds)	-	-	-
Expenditures	(302,687)	(314,164)	(918,565)
Transfers Out (to Other Funds)	-	-	-
<b>Subtotal</b>	<b>3,301</b>	<b>-</b>	<b>12,638</b>
Fund Balance, Beginning of Year	13,352	-	29,346
<b>Fund Balance, End of Year</b>	<b>16,653</b>	<b>-</b>	<b>41,984</b>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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- **Internal Service Funds**

- Funds in this group are used to accumulate moneys and record costs of other internal services such as State Teachers' Retirement System (STRS) and Public Employees' Retirement System (PERS) District contributions, and retiree health benefits as delineated in employee bargaining agreements.
- In 2015-16 the District added Fund 68, the STRS and PERS Liability Fund, in response to the legislatively mandated increases to STRS rates and anticipated increases to PERS rates.
  - STRS rates for District contributions will increase over 132% in seven years, moving from 8.25% in 2013-14 to 19.10% in 2020-21.
  - PERS rates adjust annually based on updated actuarial valuations, and are estimated to increase by 73% in seven years, moving from 11.44% in 2013-14 to 19.8% in 2020-21.

<b>Internal Service Funds</b>		
	<b>STRS/PERS Liability Fund (Fund 68)</b>	<b>Retiree Benefits Fund (Fund 69)</b>
Revenue	7,303	34,854
Transfers In (from Other Funds)	4,900,000	736,660
Expenditures	-	(276,188)
Transfers Out (to Other Funds)	-	-
<b>Subtotal</b>	<b>4,907,303</b>	<b>495,326</b>
Fund Balance, Beginning of Year	-	4,105,486
<b>Fund Balance, End of Year</b>	<b>4,907,303</b>	<b>4,600,812</b>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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- **Trust Funds**

- Funds in this group account for assets held by the District in a trustee capacity. Examples include the \$1 Student Representation Fee collected from students each semester and held in trust for the Associated Student Government, and Federal and State financial aid funds held in trust pending distribution to eligible students.

<b><u>Trust Funds</u></b>		
	<b>Student Representation Fund (Fund 72)</b>	<b>Financial Aid Fund (Fund 74)</b>
Revenue	48,409	20,559,184
Transfers In (from Other Funds)	-	135,608
Expenditures	(16,822)	(20,714,745)
Transfers Out (to Other Funds)	(1,800)	-
<b>Subtotal</b>	<b>29,787</b>	<b>(19,953)</b>
Fund Balance, Beginning of Year	216,111	96,994
<b>Fund Balance, End of Year</b>	<b>245,898</b>	<b>77,041</b>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### REVENUES

#### **HISTORY OF UNRESTRICTED GENERAL FUND REVEUES**

The following chart summarizes the Unrestricted General Fund revenues received by the District, and provides a comparison of the last three years.

Noteworthy On-Going and One-Time Statewide funding increases:

##### **Fiscal Year 2013-2014**

In 2013-2014, the State provided 1.63% in Access funding to partially restore previous Statewide base cuts, and 1.57% in statutory COLA. Since many districts were not able to restore their full time equivalent students (FTES), our District was allowed to restore more than the statewide allocation, receiving 3.73% in restored base funding.

##### **Fiscal Year 2014-2015**

In 2014-2015, the State provided 2.75% in Access funding to give Districts one final opportunity to restore previous Statewide base cuts, and .85% statutory COLA. Again, since other Districts were not able to restore their FTES, our District was allowed to fully restore the previous base cuts, receiving 4.25% in restored base funding, bringing State Apportionment back to its pre-recession level:

- 2008-2009 - \$75.1 million, Pre-Recession Level
- 2014-2015 - \$75.6 million, Finally Restored to Pre-Recession Level

In 2014-15, the State also provided \$49.5 million Statewide for a one-time Mandate Block Grant allocation to offset prior unpaid Mandate claims and assist Districts with increasing costs such as STRS and PERS contributions. The District's Unrestricted General Fund revenue increased by 5% overall from the previous year to \$85.1 million, mainly due to receiving Access, COLA and one-time Mandate funding.

##### **Fiscal Year 2015-2016**

In 2015-2016, the State provided 3% in Growth funding and 1.02% statutory COLA. Our District closed the year achieving 4.81% growth, and was fully funded for this "over-cap" growth because many other Districts were not growing.

Due to the improving economy, the State was also able to provide \$266.7 million for a Base Increase to provide general relief from increasing costs, including STRS and PERS employer contributions, and a Statewide allocation of \$62.3 million to increase the number of full time faculty. The State also provided \$632 million Statewide for a one-time Mandated Cost allocation to pay down outstanding claims.

**The District's Unrestricted General Fund revenues increased by 23% overall** from the previous year to \$104.4 million, mainly due to receiving Growth, Base and Full Time Faculty allocations, and the one-time Mandated Cost funding.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### Unrestricted General Fund Revenues by Major Category – 3 Year History

	2013-14	2014-15	2015-16
General Apportionment (Includes Access and COLA funding from Prior Year)	37,433,264	36,855,133	\$ 41,878,196
Education Protection Act	9,956,759	13,143,367	\$ 12,569,724
Access (To Restore Cuts) or Growth	2,873,794	2,889,400	\$ 3,030,078
COLA	1,080,512	614,381	\$ 774,957
Property Taxes	12,978,092	14,354,637	\$ 18,573,893
Enrollment Fees	7,981,095	7,723,053	\$ 7,893,711
Lottery	1,839,602	2,249,260	\$ 2,308,018
One-Time Mandated Cost Reimb.	-	673,638	\$ 8,499,273
STRS On-Behalf Payments	-	-	\$ 1,719,841
Other State Revenues	837,278	865,647	\$ 1,143,138
Federal Revenues	80,765	100,688	\$ 189,220
Rents and Leases	1,825,249	1,742,595	\$ 1,619,428
Non Resident/Out of State Tuition	934,831	1,145,256	\$ 1,487,316
Community Education Fees	113,781	182,912	\$ 171,301
All Other Local Income	2,881,926	1,995,083	\$ 1,952,649
Other Financing Sources	512,966	582,113	\$ 623,147
<b>Total Revenue</b>	<b>81,329,914</b>	<b>85,117,163</b>	<b>\$ 104,433,890</b>
		<b>5% Increase</b>	<b>23% Increase</b>

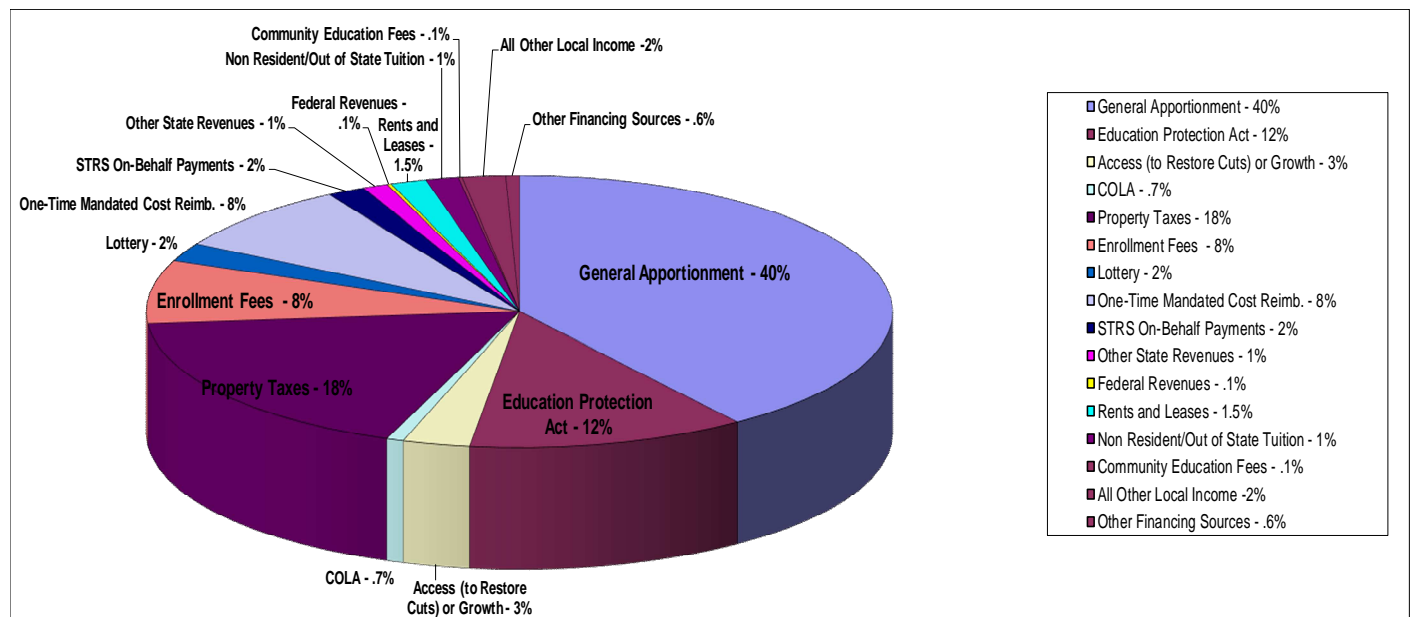
# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

The following chart provides a visual summary of the sources of revenue received by major category in 2015-2016, and illustrates that State General Apportionment, Access/Growth funding, COLA, Property Taxes, and Student Enrollment Fees accounted for 70 percent of the District's Unrestricted General Fund Revenues. The Education Protection Act, which is temporary funding expiring in 2016 and 2018, represents 12 percent of the District's Unrestricted General Fund Revenues. The remaining 18 percent includes the One-Time Mandate Cost Reimbursement allocation, Lottery, Rents Leases, Community Education Fees, Other State Revenue, Other Local Income, Non Resident/Out of State Tuition, Other Financing Sources and Federal Revenues.

**Unrestricted General Fund Revenues by Major Category – 2015-16**



### Unrestricted General Fund Revenues for 2015-2016 as Compared to 2014-2015

Revenues and other financing sources in the Unrestricted General Fund totaled \$104,433,890 in fiscal year 2015-2016. **This is an increase of \$19,316,727 (twenty three percent increase) over the prior year's revenues.** The following factors make up this increase in unrestricted revenue:

- **Apportionment Funding from State General Apportionment, Education Protection Act, Growth, COLA, Property Taxes, and Enrollment Fees Increased by \$9,140,588:**
  - **\$3,830,517 (Revenue Increase) – Base Increase**
    - The District received an on-going Base Apportionment increase of over \$3.8 million from the Statewide General Operating Base allocation of \$266.7 million. As the State economy continued to rebound after the recession, the Proposition 98 Funding Formula provided additional funding for K-12 Schools and Community Colleges. This Base allocation was provided to assist with on-going cost increases such as STRS and PERS employer contributions, and rising operational costs such as utilities.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- **\$3,420,504 (Revenue Increase) – Growth**
  - The District grew by 4.81% in 2015-16, receiving growth funding above our District's growth allocation and the 3% Statewide growth allocation.
  - Many other Districts were not able to grow, which led to the availability of "over-cap" growth funding.
  - This revenue increase represents an on-going increase to the District's base revenue.
- **\$ 866,284 (Revenue Increase) – Full Time Faculty Allocation**
  - The District received an on-going Full Time Faculty Allocation of \$866,284 from the Statewide Full Time Faculty Allocation of \$62.3 million.
  - The District was required to add 12 new faculty by Fall 2016 as a condition of receiving this funding.
  - This revenue increase represents an on-going increase to the District's base revenue.
- **\$ 774,957 (Revenue Increase) – Cost of Living (COLA)**
  - The State provided a 1.02 percent inflation adjustment on the District's base apportionment which represents an on-going increase to the District's base revenue.
- **\$ 248,326 (Revenue Increase) – Prior Year Apportionment Adjustments**
  - Each February, State funding for the past fiscal year is finalized and prior year apportionment and Education Protection Act (EPA) funding adjustments are made.
  - In 2015-16, these adjustments increased by \$248,326, mainly the result of the prior year's deficit factor being eliminated.
  - Prior year apportionment adjustments are one-time funding and do not increase the District's base revenue.
- **Unrestricted Lottery Revenues Increased by \$58,758:**
  - **\$ 58,758 (Revenue Increase) - Lottery Allocation**
    - Lottery funding is based on the District's total number of students, including non-resident students, and is paid using a funding rate per FTES. The funding rate increased in 2015-2016 by over \$18 per FTES, providing additional lottery funding.
- **One-Time Mandated Cost Reimbursement Funding Increased by \$7,825,635:**
  - **\$7,825,635 (Revenue Increase) - Mandated Cost Reimbursement**
    - Over the past two State Budget cycles (2014-2015 and 2015-2016) the Governor has provided one-time funding to reimburse Mandated Cost Claims.
    - In 2015-16, the District's allocation was \$8,499,273, compared to \$673,638 in 2014-15.
    - The Governor provided this one-time funding as a way to meet Proposition 98 funding requirements without committing to on-going funding.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Since State revenues such as capital gains tend to be quite variable, providing one-time funding is a conservative approach to addressing "boom and bust" economic cycles that in the past have led to severe cuts to education funding during economic downturns.
- **STRS On-Behalf Payments Increased by \$1,719,841:**
  - **\$1,719,841 (Revenue Increase) – STRS On-Behalf Payments Made By State of CA**
    - The CalSTRS retirement system is funded from employer, employee, and State "On-Behalf" payments.
    - New accounting requirements issued by the State Chancellor's Office in response to GASB 68 require Districts to reflect the value of the State's "On-Behalf" payments to CalSTRS in their governmental funds.
    - Prior to 2015-16, the State's "On-Behalf" payments were reflected in the District's consolidated financials, but not in the various funds of the District.
    - Beginning in 2015-2016, the Unrestricted General Fund has a new revenue and offsetting equal expense for the State's contribution to CalSTRS.
- **Other State Revenues Increased by \$277,491:**
  - **\$ 213,052 (Revenue Increase) – Prior Year One-Time Apportionment Allocation**
    - In February 2016 the State Chancellor's Office identified additional one-time funding from the 2014-2015 fiscal year.
    - The funding was allocated on an FTES basis as a prior year one-time apportionment adjustment.
  - **\$ 19,954 (Revenue Increase) – On-Going Mandated Cost Block Grant**
    - Mandated Costs are defined as costs incurred by Districts as a result of the passage of State Legislation, and are required to be reimbursed by the State.
    - In 2015-2016 the District participated (for the fourth year) in the State Mandated Cost Block Grant program which provides \$28 per FTES in funding in lieu of filing mandate claims. Due to higher FTES in 2015-2016 as compared to 2014-2015, the District's allocation increased from \$406,402 to \$426,356, an increase of \$19,954.
  - **\$ 35,535 (Revenue Increase) – BOG Fee Waivers Administration**
    - Board of Governor (BOG) waivers for enrollment fees are available to students who meet certain income thresholds.
    - The State provides Districts with a 2 percent revenue adjustment for enrollment fees waived for BOG students. The allocation increased in 2015-2016 due to the increased number of students served.
  - **\$ 8,950 (Revenue Increase) – Part-Time Faculty Salaries**
    - The District receives an annual allocation to provide on-going funding to support increases in part time faculty compensation put in place several years ago.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- It is important to note that this allocation only partially funded increases to adjunct faculty salaries to provide salary parity, and the District identified other funding sources for most of the increases.
- **Federal Revenues Increased by \$88,532:**
  - **\$ 80,454 (Revenue Increase) – Medical Administrative Allocation (MAA)**
    - The District participates in the MAA program where various departments, in partnership with the Student Health Center, receive Federal funding for informing students of different State health programs available to them. Over the past several years the Federal Government suspended payments for this program due to a nationwide audit. The audit has concluded, and the Federal Government has resumed making payments for this program.
  - **\$ 8,487 (Revenue Increase) – Forest Revenues**
    - The District receives Federal Revenue for each student that has an address in a national forest area. The allocation varies from year to year based on the current student population and available Federal funding. The District's annual revenue from this program has fluctuated from approximately \$5,000 to \$30,000 a year since 2004-2005 when the District began participating. The program is administered by the LA County Office of Education.
  - **\$ 409 (Revenue Decrease) - Financial Aid Administrative Allowances**
    - The District receives allowances for administering financial aid, and these allowances decreased by \$409 in 2015-2016 as the number of students receiving financial aid varied slightly.
- **Rents and Leases Revenue Decreased by \$123,167:**
  - **\$ 67,934 (Revenue Decrease) - Facility Use Fees**
    - Facility Use revenue decreased as compared to a year ago. Filming activity and other campus rentals are variable and subject to outside user interest and demand. Whenever feasible, the District accepts opportunities to earn rental income from outside users as required by the Civic Center Act and recoup costs through user fees.
  - **\$ 55,233 (Revenue Decrease) - Bookstore Rental Income**
    - Bookstore sales commissions decreased as faculty adopt more "no cost" options such as Open Educational Resources as an alternative to traditional text book sales and rentals.
- **Non Resident/Out of State Tuition Increased by \$342,060:**
  - **\$ 269,538 (Revenue Increase) - International Students**
    - International Students income increased as the International Services Program continued to expand recruiting efforts.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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- **\$ 72,522 (Revenue Increase) - Out of State Students**
  - The District does not actively recruit out of State students, and this revenue stream fluctuates from year to year based on the number of students that fall into this fee category until they establish California residency.
- **Community Education Revenue Decreased by \$11,611:**
  - Community Education revenue is established on a fee for service basis for the types of programs offered.
  - Community Education registration fee revenue decreased due to lower enrollments in the International Students Cultural Program partially offset by higher enrollments in the Jr. High Summer Institute and On-Line Education offerings.
- **All Other Local Revenue Decreased by \$42,434:**
  - The District's miscellaneous revenues decreased from the previous year. This decrease was due to a number of variances in revenue received vs. revenue budgeted:
    - Interest earned on the Unrestricted General Fund cash balance increased as the County Treasury paid a slightly higher yield.
    - Support from the COC Foundation decreased slightly from the previous year as less faculty and staff drew funds from Foundation resources and instead used one-time District funds to temporarily fill the need.
    - Miscellaneous locally derived revenues such as refund processing fees decreased slightly.
- **Other Financing Sources Increased by \$41,034:**
  - Other Financing Sources represent transfers from other District funds into the Unrestricted General Fund. This revenue source increased in 2015-2016 due to the District receiving more indirect support revenue from grants such as the Institutional Effectiveness Partnership Initiative, California Career Pathways Trust grant, and the Statewide Closed Captioning Grant. More information on grant funding is provided in upcoming sections of this Management's Discussion and Analysis.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### EXPENDITURES

#### HISTORY OF UNRESTRICTED GENERAL FUND EXPENDITURES

Expenditures associated with the instructional operations and related supporting activities of the District are recorded in the Unrestricted General Fund. In addition, expenditures resulting from Unrestricted General Fund resources being moved to other funds through interfund transfers are recorded here. The following chart summarizes the Unrestricted General Fund expenses by major category and provides a comparison of the last three years. It illustrates how the District's expenditures increased in 2014-2015 and 2015-2016 as the State provided additional on-going and one-time funding.

#### Unrestricted General Fund Expenditures by Major Category - 3 Year History

	2013-2014	2014-15	2015-16
Academic Salaries	\$ 31,845,952	\$ 34,344,584	\$ 37,233,324
Classified Salaries	20,273,160	21,585,853	22,512,933
Employee Benefits - Retirement	4,098,127	4,553,723	7,090,731
Employee Benefits - Other	3,989,803	4,081,141	4,266,955
Employee Benefits - Health and Welfare	5,509,149	5,717,292	5,834,207
Supplies and Materials	625,397	845,708	962,715
Consultants and Lecturers	3,483,013	3,625,351	4,305,253
Conference/Travel/Dues/Memberships	339,222	346,980	532,542
Property, Liability & Student Insurance	620,874	632,378	662,709
Utilities	2,157,105	2,155,205	2,189,571
Other Expenses	4,341,993	2,623,099	3,025,813
Capital Outlay	1,642,265	1,346,792	2,202,896
Debt Service	45,024	45,024	45,024
Transfers and Other	2,329,063	2,614,647	13,117,763
<b>Total Expenses</b>	<b>\$ 81,300,147</b>	<b>\$ 84,517,777</b>	<b>\$ 103,982,436</b>
		<b>4% Increase</b>	<b>23% Increase</b>

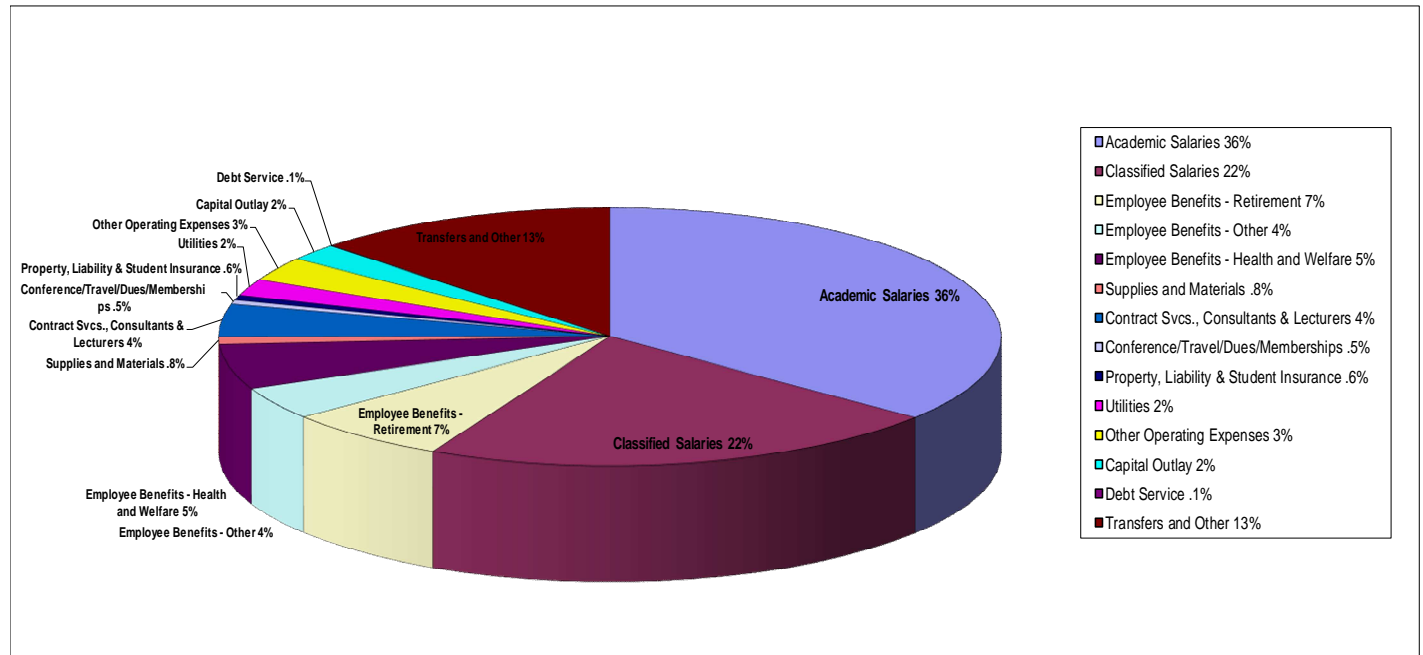
# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

The following chart provides a visual summary of the types of expenditures made in 2015-2016, and shows that salaries and fringe benefits totaled more than 74 percent of all Unrestricted General Fund expenditures, which is lower than normal due to the unprecedented amount of unrestricted one-time funding accounted for in the Unrestricted General Fund in 2015-2016.

**Unrestricted General Fund Expenditures by Major Category – 2015-16**



### Unrestricted General Fund Expenditures for 2015-2016 as Compared to 2014-2015

Expenditures and other financing uses in the Unrestricted General Fund totaled **\$103,982,436** in fiscal year 2015-2016. This is an **increase** of \$19,464,659 (a twenty-three percent increase) over the prior year's expenditures. The following factors make up the increase in unrestricted expenditures:

- **Employee Salaries Increased by \$3,815,820:**
  - Employee salaries increased due to several factors:
    - **Full Time Faculty and Staff** expenses increased as the District added new permanent positions. Thirteen new faculty were hired in Fall 2015, with the Unrestricted General Fund providing funding for over seven of the positions. Three new Facilities positions were added due to increased facility square footage requiring more maintenance and custodial staff.
    - **Adjunct and Full Time Faculty Overload** expenses increased due to additional sections offered in 2015-2016. The District increased offerings and grew enrollment by 4.81 percent, earning growth funding from the State which was applied to the base as an **on-going increase** to annual funding. In fact, the college grew beyond its original target and was able to earn growth funding "left on the table" by other Districts that were not able to grow their enrollment.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- **Contractually obligated step and column increases** for faculty and staff, and **negotiated increases** for groups whose collective bargaining increases were confirmed before the 2015-2016 books were closed also contributed to the increased expenses. Costs associated with 2015-2016 negotiations not yet completed before the books were closed will be reflected in the 2016-2017 fiscal year.
- **Short term employees and student workers**, many assigned to instructional assignments to assist students and increase student success rates, were added in 2015-2016. These temporary positions were funded with One-Time Mandate Claims funding.
- **Employee Fringe Benefits Increased by \$2,839,737:**
  - Employee fringe benefit costs increased due to several factors:
    - District contribution rates for STRS and PERS retirement plans increased. The rate increases were necessary to provide additional resources for these retirement plans. Statutory increases to STRS rates were part of the 2014-2015 State Budget Legislation, and impose increases to the District contribution rate through 2020-2021.
    - Beginning in 2015-2016, the District was required by the State Chancellor's Office to include an entry for the State of California's STRS On-Behalf payments. The District is now required to include a revenue entry and an equal expense entry to show the amount the State of California contributed to STRS on behalf of District Faculty and Educational Administrators.
    - Increased salary costs associated with new positions, steps/columns, and negotiated increases led to increases in associated fringe benefit expenses.
- **Supplies/Materials and Operating Expenses Increased by \$1,449,882:**
  - **Supplies and Materials - \$117,007 (Expense Increase)**

Supplies and materials expense increased as a result of several factors:

    - Instructional and non-instructional supplies expenses increased as the District allocated one-time Mandated Cost funding for purchases of instructional and non-instructional supplies, reference books, media materials, and electronic resources.
    - Supply inventory expense increased as new facilities were brought on line and required more custodial and maintenance supplies to maintain.
    - Transportation supplies expense increased as the District's fleet of vehicles required more supplies to keep the vehicles in good operation.
  - **Consultants, Lecturers, and Instructional Contracts - \$679,902 (Expense Increase)**

Contracted services expenses increased due to costs related to the District's Instructional Service Agreement (ISA) Public Safety classes, which exceeded original FTES and expense estimates and produced additional FTES which assisted the District in earning over-cap growth funding. Allocations to various departments for consultant services funded by one-time Mandated Cost funding and the use of temporary staffing agencies to backfill vacancies until recruitments were completed also contributed to the increased expenses.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- **Conference/Travel/Dues/Memberships - \$185,562 (Expense Increase)**  
Conference, Field Trip, and Membership expenses increased due to various departments receiving one-time Mandated Cost funding to attend conferences and trainings, take students on field trips, and explore new professional memberships.
- **Property, Liability, and Student Insurance - \$30,331 (Expense Increase)**  
Insurance premiums increased for property and liability insurance coverage due to additional facilities brought online and new equipment purchased in 2015-2016.
- **Utilities - \$34,366 (Expense Increase)**  
Utility costs increased slightly as the District experienced higher costs for waste disposal, laundry and cleaning, water, and electricity, partially offset by lower natural gas costs due to the co-generation plant being offline part of the year.
- **Other Operating Expenses - \$402,714 (Expense Increase)**  
Other expenses increased as one-time Mandated Cost funding was allocated to various departments for one-time expenses for items such as rents/leases, equipment maintenance, software licensing, postage, advertising, printing and other expenses. Also, one of the co-generation plants on the Valencia Campus was repaired, contributing to the cost increase.
- **Capital Outlay Increased by \$856,104:**
  - Capital outlay expenses increased as one-time Mandated Cost funding was allocated to purchase instructional media materials and electronic resources for the Library collection, instructional equipment, non-instructional computer and technology replacements, and software.
- **Transfers and Other Disbursements Increased by \$10,503,116:**
  - Interfund transfers are processed annually to move Unrestricted General Fund dollars to other designated funds for specific uses. Interfund transfers increased in 2015-2016 due to several factors:
    - \$2.9 million was transferred to the STRS/PERS Liability Fund, which was part of the original plan for the allocation of the \$8.5 million in one-time Mandated Cost funding.
    - \$2.5 million was transferred to the Capital Fund (Fund 43). This money was earmarked from the one-time Mandated Cost funding to purchase specific equipment requested through the 2015-2016 Program Review. Moving these funds from the Unrestricted General Fund to the Capital Fund allowed the various recipient departments to roll over unspent funds at June 30, 2016.
    - \$2.0 million was transferred to the STRS/PERS Liability Fund and \$2.0 million was transferred to the Capital Fund from unspent Unrestricted General Fund budgets. This unspent money came from unused one-time Mandated Cost funding, salary savings, and unspent discretionary budgets.
    - \$.8 million was transferred to the Debt Service Fund to close out the Del Valle Instructional Service Agreement debt payments.
    - \$.3 million was transferred to the Debt Service Fund to cover future debt service on the 2006 Certificates of Participation.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OTHER EXPENDITURES – SELECTED FUNDS

In addition to Unrestricted General Fund expenditures, significant expenditures occurred in other District funds for Grant/Categorical Programs (Fund 12), Student Financial Aid (Fund 74), and Capital Outlay (Funds 41-49).

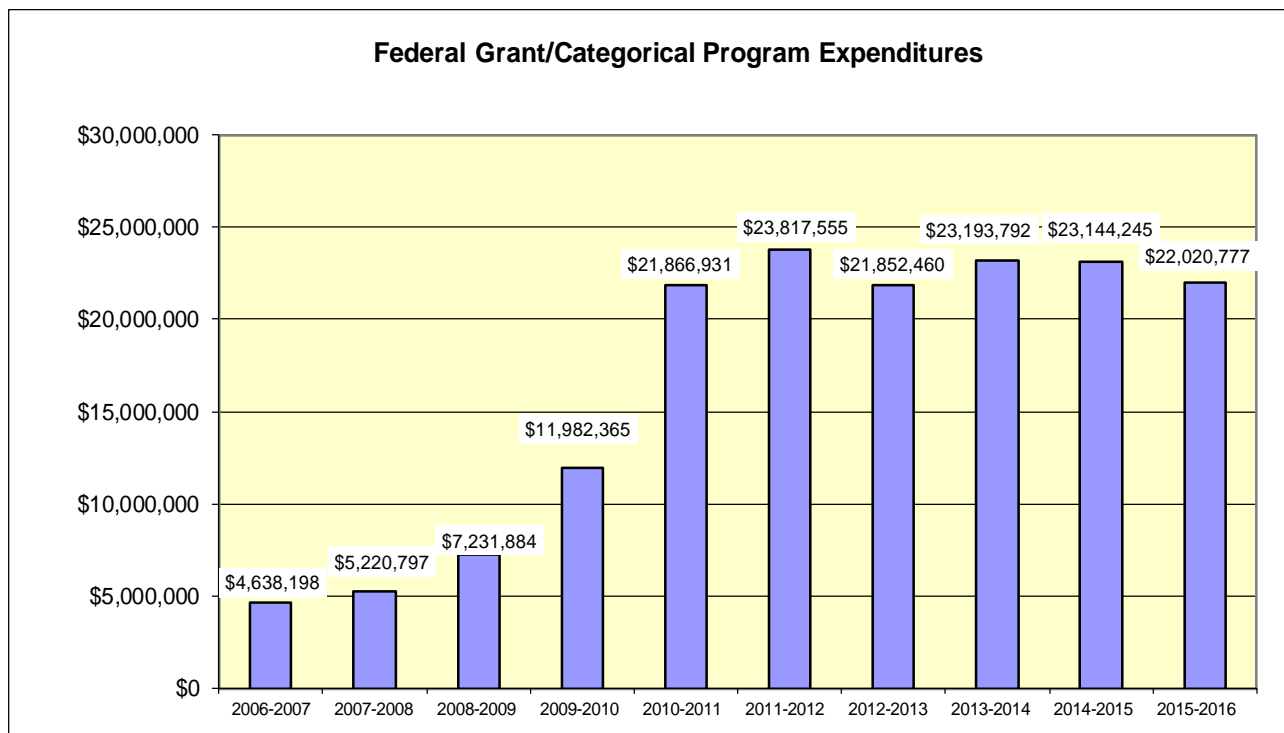
#### Federal Grant Program Expenditures

Federal funds provide substantial additional resources for the District and its students. Over the last ten years, Federal grant expenditures have increased 404 percent.

Federal grant program expenditures for fiscal year 2015-2016 totaled \$22,020,777. Compared to Federal grant/categorical expenditures for fiscal year 2014-2015, this represents a **decrease of \$1,123,468** (5 percent). This decrease is attributable to a \$969,727 decrease in student financial aid due to fewer Direct Student Loans and a \$153,741 decrease in Federal grant activity due to the year four close-out of the National Science Foundation CREATE Grant.

In 2015-2016 Federal grants provided diverse support to many significant initiatives:

- **Title V - Hispanic Serving Institutions Grant** provided enhanced student services to under-represented students.
- **Substance Abuse and Mental Health Service Administration – Campus Suicide Prevention Grant** provided mental health services and awareness.
- **Career and Technical Education – Perkins** funding provided support to emerging CTE programs.
- **U.S. Department of Health and Human Services – Medical Administrative Activities (MAA)** funding provided support for the Student Health and Wellness Centers at both campuses.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### State Grant/Categorical Expenditures

The State of California provides grant and categorical funding to the District. Over the last ten years, State grant/categorical expenditures increased 420 percent. The chart below illustrates how the availability of State grant/categorical funding fluctuated widely over the last ten years in response to State Budget conditions.

In 2009-2010 State grant and categorical funding declined due to State-wide budget cuts. Funding for key programs such as Disabled Students Programs and Services (DSPS) and the Student Success and Support Program (3SP) was cut in half. In fact, 2014-2015 was the first year that the State was able to restore funding back to 2009-2010 levels after five years of reduced funding. The reductions in 2009-2010 affected many key areas of the campus, including vocational instructional programs, the Child Care Center, Student Services programs, and Economic Development programs.

In 2013-2014 restoration of Categorical Funding for Extended Opportunities Programs and Services (EOPS), Disabled Students Programs and Services (DSPS), and the Student Success and Support Program (3SP) occurred. Also, three new State Grants to promote Career Technical Education (CTE) Programs were secured by the District in the areas of Digital Media, Advanced Manufacturing, and Allied Health/Nursing.

In 2014-2015 restoration of Categorical Funding continued with increased funding for the Disabled Students Programs and Services (DSPS) program. Funding increased in the Board Financial Assistance Program (BFAP), Career Tech Ed Grant (SB1070), Teacher Prep Pipeline Grant, Closed Captioning/Distance Education Statewide Grant, Instructional Equipment Block Grant, and Student Success and Support Program (3SP). The District secured several new grants, including the Career Technical Education Enhancement Grant, Institutional Effectiveness Partnership Initiative Grant (supports the entire Community College System), and the GO BIZ Grant. A new categorical program, Student Equity, was introduced in 2014-2015 to fund Districts' efforts to more effectively serve underserved student populations.

In 2015-2016 State Grant/Categorical expenditures totaled \$21,117,679. Compared to State Grant/Categorical expenditures for fiscal year 2014-2015, this represents an **increase of \$9,106,759** (76 percent). Noteworthy increases in State funding included the following grant and categorical initiatives:

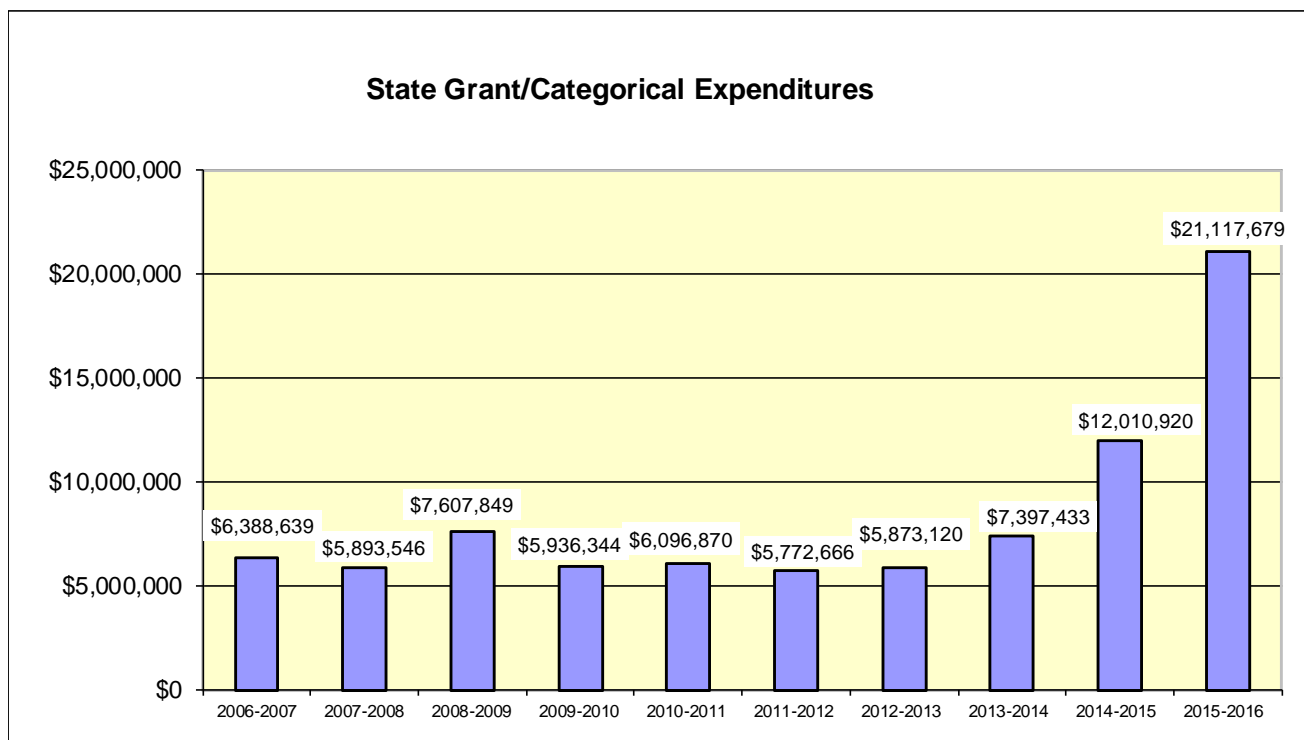
- **Adult Education AB 86/104** grants provides support to expand and improve adult education through linkages between high schools and community colleges.
- **CA Department of Education - Career Pathways Trust** grant provides funding to align five career technical education pathways from local high schools to College of the Canyons. This program builds partnerships between employers, high schools, and community colleges to better prepare students for the 21<sup>st</sup> century workplace and improve student transition into postsecondary education training and employment.
- **Career Tech Education - SB1070 Career Pathways** grant provides South Central Regional Consortium support to develop and implement sustainable policies and infrastructure for measurable and successful transition of CTE students from high schools to postsecondary education and careers.
- **Statewide Closed Captioning – Distance Education** grant coordinates assistance to all California Community Colleges to facilitate and fund live and off-line captioning and transcription services.
- **Deputy Sector Navigator** grants provide regional support by building long term relationships between Advanced Manufacturing, Health, and Information Communication Technologies employers and education providers in the South Central Region.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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- **Economic Development Coordinator Services** grant provides support to the State Chancellor's Office Economic and Workforce Development Division to support the process, application, and integration of economic and workforce development and its tools into the community college system.
- **Full Time Student Success** grants are a new category of financial aid grants for students attending Community College full time.
- **Institutional Effectiveness and Technical Assistance** grant provides Statewide Technical Assistance Teams and Institutional Effectiveness grant awards to assist Districts with concerns such as accreditation or audit issues.
- **Student Equity** categorical funding focuses on increasing access, course completion, ESL and basic skills completion, degrees, certificates and transfer for all students as measured by success indicators linked to the CCC Student Success Scorecard, and other measures developed in consultation with local colleges. "Success indicators" are used to identify and measure areas for which disadvantaged populations may be impacted by issues of equal opportunity. Title 5 regulations specify that colleges must review and address the following populations when looking at disproportionate impact: American Indians or Alaskan natives, Asians or Pacific Islanders, Blacks, Hispanics, Whites, men, women, and persons with disabilities. The State Budget Trailer Bill added requirements to address foster youth, veterans, and low income students.
- **Student Success and Support** categorical funding is used to enhance student access and promote and sustain the efforts of credit students to be successful in their educational endeavors. The goals of the Student Success and Support program are to ensure that all students complete their college courses, persist to the next academic term, and achieve their educational objectives through the assistance of student-direct components of the student success and support program process: admissions, orientation, assessment and testing, counseling, and student follow-up.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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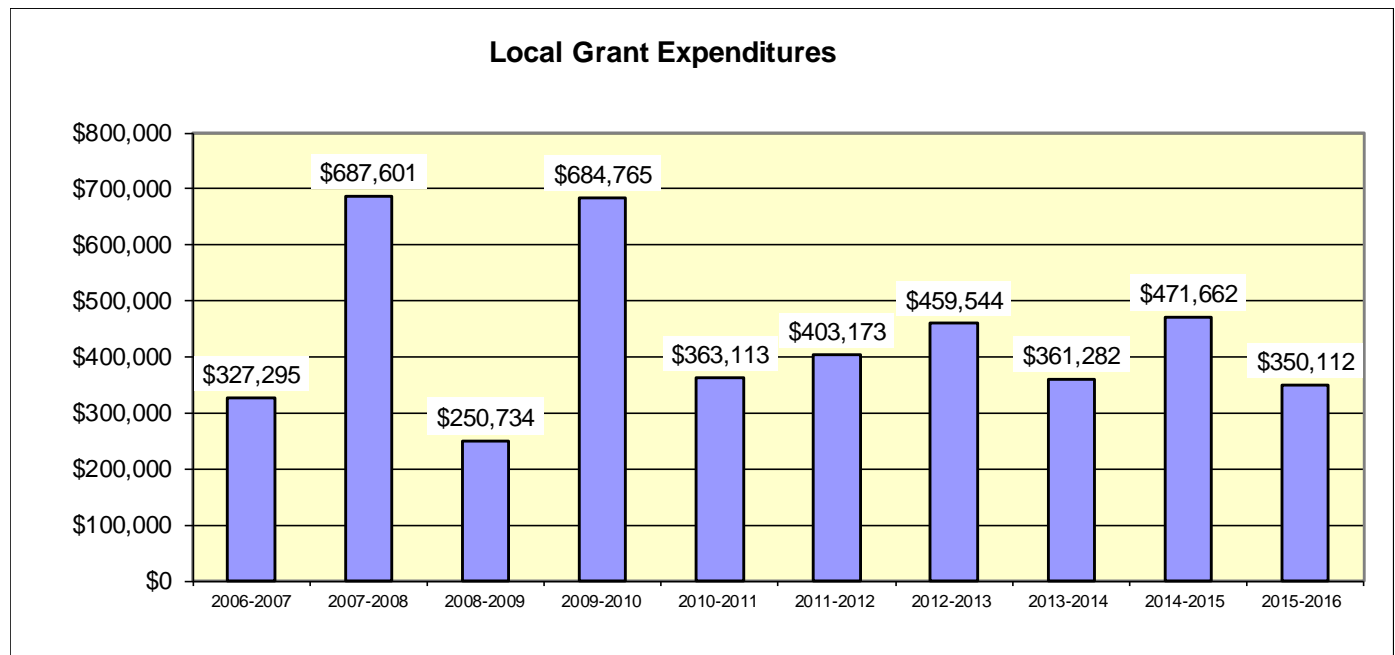
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### Local Grant Expenditures

Grants received from sources other than Federal or State funding are referred to as Local Grants. Local Grants come from private foundations, cities, and for-profit companies, and have been an important way to augment Federal and State Grant/Categorical funding.

The chart below illustrates how local grant funding varies from year to year. These variations were caused by large awards received in certain years. For example, large grants from various partners for the Nursing Collaborative were received in 2007-2008, a large grant from the Bill and Melinda Gates Foundation for the Early College High School initiative was received in 2009-2010, and large grants from the Henry Mayo Foundation to renovate the Medical Laboratory Technician classroom and from the Mark Taper Forum for EOPS textbook grants were received in 2014-2015.

In 2015-2016, local grant expenditures totaled \$350,112, a 26 percent **decrease** over 2014-2015. Local grant dollars received in 2015-2016 benefited the Nursing Program, Center for Civic Engagement, K-12 Arts Education, Health and Information Communication Technology Deputy Sector Navigator Programs, Career Technical Education Welding program, and the Small Business Development Center.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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### Student Financial Aid Expenditures

In 2015-2016, the District offered student financial aid in the form of PELL Grants, Cal Grants, Full Time Student Success Grants, and SEOG Grants totaling **\$17,300,583**. Note that Financial Aid expenditures are also included in the Federal and State expenditures charts on the previous pages.

The PELL, Cal Grant, and Full Time Student Success Grants were funded 100 percent from Federal and State allocations, and SEOG grants were funded 75 percent from Federal funds and 25 percent from a District match. **Over the last five years, student grant awards have increased by 39 percent.**

The District also disbursed Direct Student Loans to qualifying students based on legislation and provided paid Federal Work Study opportunities. The responsibility for disbursing Direct Student Loans was transferred from commercial banks to the District in 2010-2011. Direct Student Loans were funded 100 percent from Federal funds, and Work Study was funded 75 percent from Federal funds and 25 percent from a District match. Students received **\$3,367,299** in Direct Loans and earned **\$308,090** in Federal Work Study wages from on-campus jobs. Providing students with opportunities to work on-campus improves student retention and success.

### Student Financial Aid Expenditures

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Federal Pell Grants *	\$ 12,677,944	\$ 14,120,205	\$ 15,673,434	\$ 16,001,751	\$ 15,348,499
Cal Grants *	\$ 571,664	\$ 650,488	\$ 845,849	\$ 1,093,088	\$ 1,186,252
Full Time Student Success Grants*	n/a	n/a	n/a	n/a	\$ 323,400
Federal SEOG Grants **	\$ 199,529	\$ 249,268	\$ 281,461	\$ 431,561	\$ 442,432
<b>Subtotal-Grants</b>	<b>\$ 13,449,137</b>	<b>\$ 15,019,961</b>	<b>\$ 16,800,744</b>	<b>\$ 17,526,400</b>	<b>\$ 17,300,583</b>
Direct Student Loans***	\$ 7,305,409	\$ 4,927,749	\$ 4,900,680	\$ 4,151,266	\$ 3,367,299
Federal Work Study Wages **	\$ 182,332	\$ 216,805	\$ 227,614	\$ 268,033	\$ 308,090
<b>Total-Grants and Work Study</b>	<b>\$ 20,936,878</b>	<b>\$ 20,164,515</b>	<b>\$ 21,929,038</b>	<b>\$ 21,945,699</b>	<b>\$ 20,975,972</b>

\* Pell Grants, Cal Grants, and Full Time Student Success Grants are 100 percent funded from Federal and State sources.

\*\* SEOG Grants and Federal Work Study Wages were funded 75 percent from Federal sources and require a 25 percent District match contribution.

\*\*\* Direct Student Loans were issued by Commercial Banks until Fall 2010, when the responsibility was transferred to community colleges.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### Capital Outlay Expenditures

The District continued to plan, construct, and upgrade facilities in fiscal year 2015-2016, through a combination of the funding sources highlighted below:

- **State Funding for Capital Projects**

- The District expended **\$962,543 in Prop 39 and Scheduled Maintenance Funding** in 2015-2016:
  - \$439,363 for LED Lighting Upgrade in all parking lots and some interior spaces.
  - \$120,092 for renovation of Laboratory Classrooms Boykin 207 & 208.
  - \$403,088 to Rebuild Chillers on various buildings.

- **Measure M Funding for Capital Projects**

Measure M General Obligation Bonds were authorized in an election held on November 7, 2006. The election approved the issuance of \$160 million of general obligation bonds. Measure M passed with 62.65 percent voter approval, and passed in 147 of the 150 precincts with over 55 percent voter approval. Measure M funds were approved to build out the Valencia Campus and provide funding for the new Canyon Country Campus as well.

- The first issuance of Measure M bonds occurred in May 2007 in the amount of \$79,997,270.
- The second issuance of Measure M bonds occurred in May 2012 in the amount of \$35,000,000.
- The third issuance of Measure M bonds occurred in September 2014 in the amount of \$25,000,000.
- The fourth issuance of Measure M bonds occurred in November 2016 in the amount of \$20,000,000.
- In addition, it is estimated that Measure M funds will be used to leverage approximately **\$36.7 million** in State Capital Facilities Funding (not including any future State funding for Canyon Country Campus permanent buildings).
- During the 2015-2016 fiscal year, Measure M proceeds in the amount of \$4,628,137 were expended on approved projects and expenditures.
- **Measure M Projects Completed:**
  - Dr. Dianne G. Van Hook University Center
  - Canyon Country Campus site development, modulars, expanded scope
  - Canyon Country Campus Parking Lot #2
  - Applied Technology Building - Canyon Country Campus
  - Library Expansion
  - Mentry Hall Expansion
  - Student Services/Administration Building (Canyons Hall)
  - Student Services/Administration Building Tenant Improvement
  - Culinary Arts Facility
  - Secondary Effects Projects, including:
    - ✓ Mentry Hall



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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- ✓ First Floor Bonelli Hall
  - ✓ Second Floor Bonelli Hall
  - ✓ Third Floor Bonelli Hall
  - ✓ First Floor Seco Hall
  - ✓ Student Support Center
  - Renovation of Laboratory Classrooms Boykin 207 & 208
  - Fire Alarm Panel Replacement
  - Air Handler Replacement – Boykin and Bonelli
  - Rebuild Chillers – Valencia Campus
  - Repairs and Modernization
  - Site Upgrades
  - Health and Safety
  - Technology/Technology Infrastructure
  - Educational and Facilities Master Plan and Secondary Effects Master Plan
- **Measure M Projects in Progress:**
  - Canyon Country Campus Science Building and Classroom Structure
  - Canyon Country Campus Central Plant
  - Canyon Country Campus Parking Lot Improvement
  - Soccer Field Renovations/Improvements
  - LED Lighting Upgrade
  - ADA Doors and Hardware
  - Bonelli Hall Secondary Effects Renovation
  - Repairs and Modernization
  - Site Upgrades
  - Technology/Technology Infrastructure
  - Updated Educational and Facilities Master Plan
- **Local Funding for Capital Projects**
  - The District uses local funding to supplement State and Measure M capital funding. Securing local dollars for capital construction provides one more revenue source for construction and maintenance projects on the two campuses in the District (Valencia and Canyon Country). State and Measure M dollars go further towards completing the projects in the District's Educational and Facilities Master Plan when augmented by local funding.
  - Local funding includes transfers from the Unrestricted General Fund, Capital Campaign donations from the COC Foundation, Certificate of Participation funding from issuing debt, energy incentive funding, facilities fees paid by international students, money collected from joint use partnerships with the local high school district, and charges from the use of District facilities.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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- In 2015-2016, local funding totaling \$1,175,227 was expended on projects such as:
  - Child Development Center Building Improvements
  - Telephone System Upgrade
  - LED Lighting Upgrade
  - New Marquees at Valencia and Canyon Country Campuses
  - Scheduled Maintenance projects
  - Equipment for Various Instructional and Non-Instructional Departments:
    - ✓ Administration of Justice
    - ✓ Art
    - ✓ Astronomy
    - ✓ Automotive Technology
    - ✓ Biology
    - ✓ Campuswide Computer Replacement
    - ✓ Computer Support Services
    - ✓ Emergency Preparedness
    - ✓ Fire Control Technology
    - ✓ Geology
    - ✓ Grants Accounting
    - ✓ Media Entertainment Arts
    - ✓ Media/Audio Visual
    - ✓ Nursing
    - ✓ Performing Arts Center
    - ✓ Physical Education
    - ✓ Physics
    - ✓ Theatre
    - ✓ Welding

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### FUND BALANCE AND FUND BALANCE CLASSIFICATIONS

#### UNRESTRICTED GENERAL FUND ENDING FUND BALANCE

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Reserved/Assigned	\$ 555,045	\$ 854,115	\$ 783,208	\$ 277,702	\$ 1,120,816
Unassigned	8,372,358	8,074,025	8,174,699	9,279,591	8,887,932
<b>Ending Fund Balance</b>	<b>\$ 8,927,403</b>	<b>\$8,928,140</b>	<b>\$8,957,907</b>	<b>\$ 9,557,293</b>	<b>\$ 10,008,748</b>
Percentage of Unrestricted Expenses	11.55%	11.77%	11.02%	11.31%	9.63%

#### Ending Fund Balance Details

- The District's Unrestricted General Fund ending fund balance consistently meets the State Chancellor's Office guidelines for reserves of at least five percent of Unrestricted General Fund expenditures.
  - **The average ending fund balance over the last five years was 11.06 percent.**
- The ending fund balance for the Unrestricted General Fund as of June 30, 2016, was \$10,008,748, which was 9.63 percent of Unrestricted General Fund expenditures.
  - The District **avoided deficit spending in 2015-2016** and did not spend down reserves.
- The 2015-2016 ending balance was further analyzed to determine if any of these funds were "reserved/assigned" due to a commitment made by the District's Governing Board prior to June 30, 2016.
  - The reserved portion of the ending fund balance was \$1,120,816 and consists of three components:
    - The \$104,000 Revolving Cash Account, which holds funds which are reserved by Board action/approval for the purpose of emergency cash disbursements.
    - Board authorized pre-paid expenses totaling \$830,308. The District pre-paid software licenses, insurance premiums, and memberships in the last few months of the 2015-2016 fiscal year in order to comply with vendors' payment deadlines and to ensure uninterrupted service. These expenses will be deducted from 2016-2017 budget funds.
    - Health and Welfare Pool Balances totaling \$186,508 for COCFA, CSEA, and Confidential employee groups. These estimated pool balances at June 30, 2016, are reserved for future health and welfare expenses for these groups in accordance with their Board Approved bargaining agreements.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### **COLLEGE OF THE CANYONS CONTINUES TO INNOVATE - PROVIDING SERVICE TO OUR COMMUNITY, OUR REGION, AND THE STATE**

#### **NEW INITIATIVES, PARTNERSHIPS, AND INNOVATIVE PROJECTS**

Innovation is a central core value for the College and the District. Faculty, staff, and students are welcomed to campus where they are not only challenged to take that next step into an unknown future, but to also create the very steps they wish to take. In the past year there have been numerous projects and efforts that reflect this innovative spirit. The following is an overview of some of the many new initiatives and innovative projects, all in pursuit of a brighter tomorrow:

##### **Measure E Positions College of the Canyons to Meet the Community's Needs**

On June 7, 2016 Santa Clarita voters approved Measure E by a 58.46 percent majority. The passage of Measure E will provide College of the Canyons with up to \$230 million in resources to expand and upgrade the college's facilities which are needed not only to meet the demands of growing student enrollment, but also address the community's future needs for education and training.

The college was originally designed in 1967 for a capacity of 5,000 students at build-out, but now serves 20,000 students at the Valencia and Canyon Country campuses. Projections estimate that student enrollment will surpass 30,000 in a little more than a decade. One of the reasons for this projected increase in demand is that by 2020 an estimated two-thirds of all jobs in the U.S. will require some education beyond high school. That doesn't necessarily mean a bachelor's degree, but it does mean some college coursework. COC's two-year campuses are flexible enough to quickly create new coursework and deliver it in response to industry needs. New coursework and areas of study often require new facilities and equipment, and Measure E will provide the funding for the facilities and equipment needed to serve the demands of our growing community and changing job market.

Measure E will enable the college to expand access to high quality education and create more opportunities for the students, businesses, and community partners we serve. Using funds from Measure E, COC will be able to build more classrooms and labs, improve parking and accessibility, construct permanent buildings at the Canyon Country Campus, and renovate existing spaces to provide technical training for high-paying jobs here in the Santa Clarita Valley. Measure E will also provide a match as COC competes for State construction funds, making

##### **"Accelerate Your Dreams to Reality" Project Receives State Recognition**

The California Community Colleges Board of Governors recognized COC's "Accelerate Your Dreams to Reality" project with an Exemplary Program Award honorary mention. The program also received a California Community Colleges Chancellor's Office Chancellor's Student Success Award.

The "Accelerate Your Dreams to Reality" project is credited with helping improve math and English course completion rates and enhancing student success. The innovative program condenses remedial coursework, saving students time and money. These accelerated pathways have led to significant improvement over traditional course sequences and brought about a new way to address the achievement gap. Student success rates have increased for all students, and especially for students in underrepresented groups. By implementing two new courses in math and English, COC has nearly tripled students' chances of completing college level courses. These new accelerated courses are currently benefiting more than 5,000 students per year, savings them more than 48,000 weeks of remedial instruction and more than \$500,000 in tuition costs for remedial courses that do not count toward earning an Associate degree.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### **College of the Canyons Ranked in Top 25 Two Year Colleges for Adult Learners**

College of the Canyons has been ranked among the top-25 U.S. colleges for adult learners in *Washington Monthly* magazines' first-ever ranking of "Best Two-Year Colleges for Adult Learners." College of the Canyons is committed to providing a high-quality education to all, including adult learners, who make up 37 percent of COC's student population. Flexible programs and numerous resources at the college have helped many adult learners reach their educational goals while juggling full time jobs and family responsibilities.

### **College of the Canyons Ranked Among Top 15 Colleges for Salary Potential**

PayScale's 2016-17 College Salary Report ranks COC among the top 15 best community and career colleges by alumni salary potential. The list ranks 381 two-year colleges across the nation by post-graduation earnings to help associate degree students make informed choices when selecting a college to attend. According to the report, COC graduates were shown to earn \$38,100 in early career pay and \$64,600 in mid-career pay. The accompanying article confirms that public community colleges produce the highest earners and are usually the most affordable way to get a college education. COC is committed to preparing our students to enter the workforce with the education and skills they will need, and providing additional educational opportunities to remain competitive.

### **MakerSpace Facility Fuels Innovation**

College of the Canyons unveiled its new MakerSpace facility in May 2016, which is designed as a collaborative learning area that gives users free access to tools, materials, technological resources, skills training and a variety of entrepreneurial opportunities. Students and staff members interested in the science, technology, engineering, art and math (STEAM) fields now have a dedicated area designed to spark their creativity, spur collaboration, and fuel innovation. The new space is a unique learning environment that not only gives students an opportunity to bring their ideas to reality, but it also fosters the development of skills needed for successful 21<sup>st</sup> century careers. Users of the space are expected to include individual students, student clubs and cohorts, staff groups and potential business partners. The space will foster engagement, consultation, and collaboration, communication, adaptability, problem-solving, and other key attributes today's employers look for when hiring.

### **Basic Skills and Student Outcomes Transformation Grant**

COC was recently awarded a \$1.5 million grant to expand existing programs and implement new initiatives that improve student success. The Basic Skills and Student Outcomes Transformation Program grant will fund efforts that help students successfully transition from high school to college, and move more quickly from remedial classes to college-level coursework and ultimately achieve their higher education goals. COC will use this funding to expand its programs and services, with the end result of a more streamlined path to graduation and transfer, or earning a certificate and launching a career in a fast-growing, well-paying industry.

### **Emergency Medical Technician Program**

The Emergency Medical Technician Program became the only program in California, and only one of 16 in the nation, to incorporate an advanced, state-of-the-art ambulance simulator into its curriculum. The simulator replicates a variety of situations students will encounter while working in the field, and provides students with realistic scenarios and hands-on training that supplement their classroom instruction. The simulator's interior design and equipment provides added opportunities for students to practice skills such as CPR, patient assessment, managing patient airways, evaluating vital signs, providing trauma care, and recording patient history, all while working in a confined space with simulated road movement.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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### **USC Social Work Partnership**

College of the Canyons has partnered with University of Southern California (USC) to provide personal counseling services to COC students in need. Every semester, at least two second-year USC graduate students working towards Master's degrees in social work will be assigned to provide counseling and support services through College of the Canyons Veterans Resource Center and Student Health and Wellness Center. This mutually beneficial partnership will help provide COC students with additional high-quality counseling services.

### **Zero Cost Textbook Degree Pathway**

In an effort to make a college education more affordable for all students, College of the Canyons is on track to begin offering an Associate Degree in Sociology in which all the classes use Open Educational resources (OER) instead of costly traditional text books. Open Educational Resources are teaching and learning materials that have been released in the public domain or under an intellectual property license as a no cost alternative to traditional textbooks. The costs of textbooks grew three times the rate of inflation from 2002 to 2016, with the average student expected to spend more than \$1,200 a year on textbooks and school supplies.

Currently, the Biology, Chemistry, Counseling, Geology, History, Mathematics, Sociology, and Water Technology Departments at College of the Canyons are using OER materials. Using OER materials has helped students who might otherwise be unable to attaining their educational goals due to financial constraints. College of the Canyons students save an estimated \$1 million per year using OER materials.

## **STUDENT INVOLVEMENT, ACHIEVEMENT, AND SUCCESS**

### **Student Success Rate One of the Best in the State**

College of the Canyons students are among the most successful community college students in the State, according to recent Student Success Scorecard data released by the California Community Colleges Chancellor's Office. First-time students who graduated High School as college prepared achieved an 80% completion rate at COC, earning either a degree, certificate, or transfer-prepared status, which is 10% higher than the statewide average. For unprepared students, COC ranked fifth in the State, again outpacing the statewide average by 10%. These results speak to the quality education offered at COC and the commitment made by our faculty, classified staff, and administration to invest in the success of our students.

### **Model UN Team**

The College of the Canyons Model United Nations Team attended a conference hosted by UCLA and came home as one of four colleges to be honored. Model United Nations is a fast-paced political strategy competition that places an emphasis on diplomacy and interactive problem solving. Students prepare for the competition through courses offered by the college's Political Science Department where the students conduct research on relevant global issues, enhance public speaking skills, and work to comprehend the essential goals of conflict resolution, all while simulating the work of the United Nations and its various agencies. For the second time in four years the COC team was awarded the "Outstanding Large Delegation" award. Eight team members won individual awards as well. Students find the coursework and competition personally and academically challenging, and the team participation as very rewarding.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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### **Future Business Leaders of America Leadership Conference**

Nine students from the college's Future Business Leaders of America Phi Beta Lambda chapter participated in the California State Business Leadership Conference in competition against students from California's top four-year universities. Student teams analyzed case studies, making recommendations to a panel of judges, and also competed in knowledge events to demonstrate their mastery of essential business concepts and skills. Students earned five first place awards and three second place awards, excelling against 14 colleges and universities. Students not only improved their business acumen, but also received valuable experience in networking and providing leadership in a team environment.

### **NASA High Altitude Student Platform (HASP) Project**

College of the Canyons was the only community college chosen to participate in NASA's HASP program this year, and one of only four community colleges to ever participate in the program's 10 year history. Beginning in December 2015, Students in the Astronomy and Physics Club spent countless hours testing and fine-tuning an experimental prototype they designed to collect cosmic dust particles in the upper stratosphere. Their final prototype was then submitted to NASA for pre-launch trials. On September 1, 2016, their experiment was aboard NASA's High Altitude Student Platform, a scientific research balloon, when it traveled 23 miles above the earth. NASA will be recovering the experiment when the balloon lands and will send the device back to College of the Canyons to determine if interstellar dust particles were captured. This was a tremendously rewarding experience for the 21 students studying in the areas of Astronomy and Physics, Engineering, and Biology, and for the two faculty advisors who led the project.

### **Speech Team Ranked Number One at National Tournament**

For the first time in the program's 12 year history, the College of the Canyons Speech Team has been ranked Number One at the annual Phi Rho Pi National Tournament. This competition earned the team 14 total combined medals and ended their most successful season to date. More than 60 colleges from across the nation competed in the five day tournament that included eleven individual events encompassing three types of debate skills and both prepared and impromptu speeches and readings. Students participating in the event called it life-changing and highly motivating, and took away skills they will utilize throughout their professional and personal lives.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### SUMMARY

This Annual Financial Report for the Period Ending June 30, 2016, affirms the District's commitment to fiscal responsibility. The Financial Statements were found to be materially correct, with no audit findings or adjustments. For the fiscal year 2015-2016, the District again received unmodified opinions on the Financial Statements, Federal Awards and State Awards, which is the best opinion an auditor can issue. There were no findings for the General Obligation Bond audit or for the COC Foundation audit for which the District also has oversight. These opinions will position the District in a positive way with the Accrediting Commission and Bond Rating Agencies. It was also a goal established by the District when we adopted the required Institutional Effectiveness Partnership Initiative (IEPI) indicators to achieve an audit with no findings. The District is proud to have achieved this goal.

In the past 15 years, the District has only had 10 audit findings in 68 audits (District, GO Bond and Foundation). These exceptional audits reflect the dedication of the District to providing fiscal oversight for daily operations and compliance with District policies and procedures as well as the regulations that govern community colleges. With the focus of audits moving from financial information to compliance with Federal and State regulations, it is commendable that hundreds of departments, programs and grant funded activities reflect such a high level of fiscal integrity. These positive audit results are the outcome of strategic planning and strong fiscal management, which is a testimony to the tone set at the top by the District Chancellor and Administrators who have ultimate responsibility for positive outcomes.

In 2015-2016, the District provided oversight for the expenditure of \$174.3 million for all funds, including \$104 million in Operating Funds and \$46.4 million in highly regulated Federal and State Financial Aid, State Competitive Grants and State Categorical Program funds, large increases over the prior year. The expenditures in Capital Outlay funds of \$6.8 million were approximately one-half of the prior year due to the completion of Canyons Hall in the previous year and expenditures this year setting the foundation for the District to proceed with the Canyon Country Science Building pending Department of State Architect (DSA) approval.

Through the availability of one-time funding in 2015-2016, the District purchased instructional equipment with the latest technology as well as to support new programs, and also set aside some one-time funding for future instructional equipment needs. To address the legislatively mandated increases to District contribution rates for STRS and PERS Pension Plans, the District strategically set aside some of the one-time funding for future STRS/PERS costs until ongoing funding can be identified.

Unlike its community college counterparts, College of the Canyons continues to experience a high demand for programs that meet the needs of students seeking jobs in the current economy. This results in growth funding that allows the District to hire faculty and support new programs to sustain long term growth. The District's ability to be innovative and responsive to labor market trends and to take advantage of new funding sources has expanded the options for our students. Comprehensive planning through collaborative processes allowed the District to be well-positioned for additional funding not able to be utilized by other districts. The result has been an exponential leap forward to serve our students, community and local business partners.

With a nationwide focus on workforce training and preparing the next generation of workers who will require some college or college degrees, the District has established a presence at the State level with the District Chancellor serving on the Community College "Doing What Matters" task force. As a result of this work, the Legislature has approved \$200 million in funding to be allocated locally and regionally in 2016-2017. Funding



# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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allocations through regional initiatives will benefit local businesses and communities through a connected effort that reaches Statewide and produces trained workers to fuel the State economy.

The District is also providing leadership to the Community College system via a legislatively supported, grant funded program, IEPI – Institutional Effectiveness Partnership Initiative, to assist community colleges with assessment and improvement. In partnership with the State Chancellor's Office, College of the Canyons has worked collaboratively with the Academic Senate and District representatives who serve on the IEPI Advisory Committee, to establish a framework of fiscal and student success indicators that serve as a foundation for on-going improvement through technical assistance team visits and seed grants to provide funding for new initiatives. After two years, College of the Canyons has been recognized for moving the initiative quickly and successfully.

The District is fiscally stable and operationally sound, with a solid foundation and potential for continued growth. Strong and consistent leadership is the basis for the long-term success of College of the Canyons. The District has operated under the leadership of Dr. Dianne Van Hook for the last 28 years. She is the longest seated Chancellor in the Community College System. Her visionary leadership has made the Santa Clarita Community College District one of the leading, most innovative, and widely respected community colleges in the nation. Through the establishment of local and regional collaboratives and professional development, she has won the respect of her peers and created a framework to achieve success through synergies that come from shared knowledge and experience. She has a clear vision, unparalleled leadership skills, strong technical knowledge, an astute ability to assess risk, and has established lasting relationships with local, State and Federal Officials that will allow College of the Canyons to continue to pursue innovative solutions that meet the needs of our students, community and business partners in the achievement of excellence.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: Santa Clarita Community College District, 26455 Rockwell Canyon Road, Santa Clarita, California 91355.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF NET POSITION - PRIMARY GOVERNMENT JUNE 30, 2016

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### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 687,093
Cash and cash equivalents - restricted	16,998
Investments - unrestricted	28,766,544
Investments - restricted	41,578,424
Accounts receivable	8,140,240
Student loans receivable	33,396
Due from fiduciary funds	76,691
Prepaid expenses	907,026
<b>Total Current Assets</b>	<b>80,206,412</b>

#### NONCURRENT ASSETS

Nondepreciable capital assets	16,218,156
Depreciable capital assets, net of accumulated depreciation	248,688,193
<b>Total Noncurrent Assets</b>	<b>264,906,349</b>
<b>TOTAL ASSETS</b>	<b>345,112,761</b>

#### DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	5,875,461
Deferred outflows of resources related to pensions	18,215,065
<b>Total Deferred Outflows of Resources</b>	<b>24,090,526</b>

### LIABILITIES

#### CURRENT LIABILITIES

Accounts payable	20,016,189
Accrued interest payable	2,402,938
Unearned revenue	5,257,977
Current portion of long-term obligations other than pensions	7,361,387
<b>Total Current Liabilities</b>	<b>35,038,491</b>

#### NONCURRENT LIABILITIES

Noncurrent portion of long-term obligations other than pensions	241,022,641
Aggregate net pension obligation	74,332,944
<b>Total Noncurrent Liabilities</b>	<b>315,355,585</b>
<b>TOTAL LIABILITIES</b>	<b>350,394,076</b>

#### DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	16,008,585
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#### NET POSITION

Net investment in capital assets	61,115,911
Restricted for:	
Debt service	7,439,577
Capital projects	4,613,606
Educational programs	2,515,381
Other activities	570,155
Unrestricted	(73,454,004)
<b>TOTAL NET POSITION</b>	<b>\$ 2,800,626</b>

The accompanying notes are an integral part of these financial statements.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2016

### OPERATING REVENUES

Student Tuition and Fees	\$ 21,900,704
Less: Scholarship discounts and allowances	(9,316,382)
Net tuition and fees	12,584,322
<b>TOTAL OPERATING REVENUES</b>	<b>12,584,322</b>

### OPERATING EXPENSES

Salaries	70,976,520
Employee benefits	20,051,182
Supplies, materials, and other operating expenses and services	22,767,715
Student financial aid	20,714,745
Equipment, maintenance, and repairs	5,886,676
Depreciation	8,549,027
<b>TOTAL OPERATING EXPENSES</b>	<b>148,945,865</b>

### OPERATING LOSS

(136,361,543)

### NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	58,767,820
Local property taxes, levied for general purposes	19,136,084
Taxes levied for other specific purposes	10,240,914
Federal grants and contracts, noncapital	22,020,777
State grants and contracts, noncapital	24,368,698
State taxes and other revenues	12,131,407
Investment income	377,045
Interest expense on capital related debt	(7,025,746)
Interest income on capital asset-related debt	69,778
Transfer in from fiduciary fund	1,800
Transfer out to fiduciary fund	(736,660)
Other nonoperating revenues	4,978,779
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>144,330,696</b>

### INCOME BEFORE OTHER REVENUES AND (LOSSES)

7,969,153

### OTHER REVENUES AND (LOSSES)

State revenues, capital	439,363
Local revenues, capital	246,925
Loss on disposal of capital assets	(15,178)
<b>TOTAL OTHER REVENUES AND (LOSSES)</b>	<b>671,110</b>

### CHANGE IN NET POSITION

8,640,263

### NET POSITION, BEGINNING OF YEAR

(5,839,637)

### NET POSITION, END OF YEAR

\$ 2,800,626

The accompanying notes are an integral part of these financial statements.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2016

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### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 12,666,380
Payments to or on behalf of employees	(89,568,335)
Payments to vendors for supplies and services	(24,251,472)
Payments to students for scholarships and grants	(20,714,745)
<b>Net Cash Flows From Operating Activities</b>	<u>(121,868,172)</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	59,163,927
Property taxes - nondebt related	19,136,084
Grants and contracts	46,290,534
State taxes and other revenue	12,131,407
Other nonoperating	3,787,609
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>140,509,561</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State apportionments, capital projects	439,363
Local revenue, capital projects	246,925
Proceeds from capital debt	106,455,071
Acquisition and construction of capital assets	(5,856,292)
Property taxes - related to capital debt	10,240,914
Principal paid on capital debt and leases	(106,816,121)
Interest received on capital debt	69,778
Interest paid on capital debt and leases	(13,506,878)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<u>(8,727,240)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>377,045</u>
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### NET CHANGE IN CASH AND CASH EQUIVALENTS

10,291,194

### CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

60,757,865

### CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 71,049,059

The accompanying notes are an integral part of these financial statements.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED FOR THE YEAR ENDED JUNE 30, 2016

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### RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	<u>\$ (136,361,543)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	8,549,027
Changes in Operating Assets, Liabilities, Deferred Outflows, and Deferred Inflows:	
Receivables	56,354
Prepaid expenses	(727,754)
Accounts payable	6,667,333
Unearned revenue	25,704
Change in deferred outflows	(13,391,547)
Change in deferred inflows	(1,443,635)
Aggregate net pension obligation	14,417,964
OPEB obligation	378,768
Compensated absences and Early Retirement	(38,843)
<b>Total Adjustments</b>	<u>14,493,371</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (121,868,172)</u></u>

### CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 704,091
Cash with county treasury	69,536,439
First American Government General Obligation Fund	808,529
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 71,049,059</u></u>

### NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 1,828,057</u></u>
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The accompanying notes are an integral part of these financial statements.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2016

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	<u>Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,344,267
Investments	5,183,803
Accounts receivable	19,463
Prepaid expenses	28,405
<b>Total Assets</b>	<u>6,575,938</u>
<b>LIABILITIES</b>	
Accounts payable	11,107
Due to primary government	76,691
Unearned revenue	99,400
Due to student groups	575,059
<b>Total Liabilities</b>	<u>762,257</u>
<b>NET POSITION</b>	
Unreserved	5,813,681
<b>Total Net Position</b>	<u>\$ 5,813,681</u>

The accompanying notes are an integral part of these financial statements.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2016

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	<u>Trust Funds</u>
<b>ADDITIONS</b>	
Local revenues	<u>\$ 766,875</u>
<b>DEDUCTIONS</b>	
Employee benefits	276,188
Services and operating expenditures	<u>529,529</u>
<b>Total Deductions</b>	<u>805,717</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers from primary government	736,660
Transfers to primary government	<u>(1,800)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>734,860</u>
<b>Change in Net Position</b>	696,018
<b>Net Position - Beginning</b>	<u>5,117,663</u>
<b>Net Position - Ending</b>	<u><u>\$ 5,813,681</u></u>

The accompanying notes are an integral part of these financial statements.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### **NOTE 1 - ORGANIZATION**

The Santa Clarita Community College District (the District) was established in 1967 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one community college and one center located in Santa Clarita, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government and the District.

The following entity met the criterion for inclusion as a "blended" component unit and is consolidated within the financial statements of the District:

- **Public Property Financing Corporation**

The Public Property Financing Corporation (the Corporation) is a legally separate organization and a component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Within the other supplementary information section of the report, the activity is included as the Capital Outlay Projects Fund and the Other Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities of the District. Individually-prepared financial statements are not prepared for the Public Property Financing Corporation. Condensed component unit information for the Corporation, the District's blended component unit, for the year ended June 30, 2016, is as follows:

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Condensed Statement of Net Position

#### ASSETS

Investments	\$ 1,781,315
Accounts receivable	359
<b>Total Assets</b>	<b>\$ 1,781,674</b>

#### NET POSITION

Restricted for:	
Debt service	<b>\$ 1,781,674</b>

### Condensed Statement of Revenues, Expenses, and Changes in Net Position

#### NONOPERATING REVENUES (EXPENSES)

Principal expense on capital related debt	\$ (1,085,000)
Interest expense on capital related debt	(781,842)
Investment income	1,617
<b>TOTAL NONOPERATING EXPENSES</b>	<b>(1,865,225)</b>

#### LOSS BEFORE TRANSFERS

	(1,865,225)
Transfers in	2,493,027

#### CHANGE IN NET POSITION

627,802

#### NET POSITION, BEGINNING OF YEAR

1,153,872

#### NET POSITION, END OF YEAR

**\$ 1,781,674**

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required.

Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows.

### **Investments**

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

### **Accounts Receivable**

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes all amounts are fully collectable.

### **Prepaid Expenses**

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

### **Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 to 25 years; equipment, 3 to 15 years; vehicles, 5 to 10 years.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

### **Debt Issuance Costs, Premiums, and Discounts**

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

### **Deferred Charge on Refunding**

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the deferred charges on refunding of general obligation bonds and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

### Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

### Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, early retirement programs, capital lease obligations, OPEB obligations, and net pension obligations with maturities greater than one year.

### Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component of net investment in capital assets.

**Restricted:** Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**Unrestricted:** Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$15,138,719 of restricted net position.

### **State Apportionments**

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

### **Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed a General Obligation Bond in November 2001 and November 2006 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

### **Scholarships, Discounts, and Allowances**

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

### **Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

### **Estimates**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

### 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. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement, effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of GASB Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of GASB Statement No. 68 are effective for periods beginning after June 15, 2016.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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.

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.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

### NOTE 3 - DEPOSITS AND 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

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying 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

### Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, consist of the following:

Primary government	\$ 71,049,059
Fiduciary funds	6,528,070
Total Deposits and Investments	<u>\$ 77,577,129</u>
Cash on hand and in banks	\$ 1,344,267
Cash in revolving	105,000
Cash collections awaiting deposit	599,091
Investments	75,528,771
Total Deposits and Investments	<u>\$ 77,577,129</u>

### 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 primarily investing in the Los Angeles County Investment pool.

### Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Weighted Average Days/Date to Maturity
Los Angeles County Investment Pool	\$ 74,553,428	608
First American Government General Obligation Fund	808,529	43
Certificate of Deposit - Bank of America	253,810	9/3/2016
Total	<u>\$ 75,615,767</u>	

### 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 investments in the Los Angeles County Pool and the Certificate of Deposit are not required to be rated, nor have they been rated as of June 30, 2016. The First American Government General Obligation Fund was rated AAAM by Standard & Poor's.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance was insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### **NOTE 4 - 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

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Uncategorized
Los Angeles County Investment Pool	\$ 74,553,428	\$ -	\$ -	\$ 74,553,428
First American Government General Obligation Fund	808,529	-	808,529	-
Certificate of Deposit - Bank of America	253,810	253,810	-	-
Total	<u>\$ 75,615,767</u>	<u>\$ 253,810</u>	<u>\$ 808,529</u>	<u>\$ 74,553,428</u>

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

### NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	Primary Government
Federal Government	
Categorical aid	\$ 1,881,598
State Government	
Categorical aid	2,646,176
Lottery	1,732,718
Apportionment	495,490
Other State	632,016
Local Sources	
Interest	170,901
Foundation	120,528
Other local	460,813
Total	<u>\$ 8,140,240</u>
Student receivables	<u>\$ 33,396</u>
	<u>Fiduciary Funds</u>
Other local	<u>\$ 19,463</u>



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital Assets Not Being Depreciated				
Land	\$ 14,309,904	\$ -	\$ -	\$ 14,309,904
Construction in progress	1,195,135	3,496,805	2,783,688	1,908,252
Total Capital Assets Not Being Depreciated	15,505,039	3,496,805	2,783,688	16,218,156
Capital Assets Being Depreciated				
Site improvements	17,438,840	175,557	-	17,614,397
Buildings and improvements	284,084,803	2,608,131	-	286,692,934
Equipment	16,789,354	1,495,734	553,273	17,731,815
Total Capital Assets Being Depreciated	318,312,997	4,279,422	553,273	322,039,146
Total Capital Assets	333,818,036	7,776,227	3,336,961	338,257,302
Less Accumulated Depreciation				
Site improvements	9,733,610	796,363	-	10,529,973
Buildings and improvements	45,069,198	6,485,925	-	51,555,123
Equipment	10,537,213	1,266,739	538,095	11,265,857
Total Accumulated Depreciation	65,340,021	8,549,027	538,095	73,350,953
Net Capital Assets	\$ 268,478,015	\$ (772,800)	\$ 2,798,866	\$ 264,906,349

Depreciation expense for the year was \$8,549,027.

Interest expense on capital related debt for the year ended June 30, 2016, was \$7,041,366. Of this amount, \$15,620 was capitalized.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### **NOTE 7 - PREPAID EXPENSES**

Prepaid expenses for the District consisted of the following:

	Primary Government
IT system database maintenance	\$ 445,494
Student insurance	174,726
Other	286,806
Total	<u>\$ 907,026</u>
	Fiduciary Funds
Other	<u>\$ 28,405</u>

### **NOTE 8 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

	Primary Government
Accrued payroll and benefits	\$ 9,613,280
Apportionment	2,604,928
Instructional service agreements	2,790,204
Construction	1,235,678
Student financial aid liabilities	1,065,258
Other liabilities	2,706,841
Total	<u>\$ 20,016,189</u>
	Fiduciary Funds
Other liabilities	<u>\$ 11,107</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### **NOTE 9 - UNEARNED REVENUE**

Unearned revenue for the District consisted of the following:

	Primary Government
Federal categorical	\$ 63,482
State categorical	2,180,517
RDA Shift	861,545
Local	905,232
Student tuition and fees	1,247,201
Total	<u>\$ 5,257,977</u>
	 Fiduciary Funds
Student tuition and fees	<u>\$ 99,400</u>

### **NOTE 10 - INTERFUND TRANSACTIONS**

#### **Interfund Receivables and Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2016, the amounts owed between the primary government and fiduciary funds were \$76,691 and \$0, respectively.

#### **Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2016 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to \$1,800. The amount transferred to the fiduciary funds from the primary government amounted to \$736,660.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

### NOTE 11 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the 2016 fiscal year consisted of the following:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
<b>Bonds and Notes Payable</b>					
General obligation bonds, Series 2003	\$ 16,815,111	\$ 881,239	\$ 1,230,000	\$ 16,466,350	\$ 1,290,000
General obligation bonds, Series 2005	7,148,771	386,105	830,000	6,704,876	-
General obligation bonds, Refunding Bonds 2005	10,932,258	72,742	11,005,000	-	-
Unamortized premium	1,316,863	-	1,316,863	-	-
General obligation bonds, Series 2007	86,870,686	1,640,316	87,731,002	780,000	780,000
Unamortized premium	2,068,825	-	2,068,825	-	-
General obligation bonds, Series 2012	33,065,000	-	-	33,065,000	-
Unamortized premium	2,319,413	-	85,904	2,233,509	-
General Obligation bonds, Refunding Bonds 2013	33,420,000	-	-	33,420,000	870,000
Unamortized premium	4,495,758	-	341,450	4,154,308	-
General obligation bonds, Series 2014	25,000,000	-	1,000,000	24,000,000	-
Unamortized premium	1,164,128	-	47,515	1,116,613	-
General Obligation bonds, Refunding Bonds 2016	-	94,050,000	-	94,050,000	2,295,000
Unamortized premium	-	9,424,669	26,035	9,398,634	-
Certificates of participation - 2006	11,525,000	-	640,000	10,885,000	660,000
Certificate of participation - 2009	6,175,000	-	445,000	5,730,000	465,000
Unamortized premium	59,870	-	5,987	53,883	-
<b>Total Bonds and Notes Payable</b>	<b>242,376,683</b>	<b>106,455,071</b>	<b>106,773,581</b>	<b>242,058,173</b>	<b>6,360,000</b>
<b>Other Liabilities</b>					
Capital leases	79,357	-	42,540	36,817	36,817
Early retirement plan	588,766	-	360,965	227,801	227,801
Net OPEB obligations	2,396,115	654,399	275,631	2,774,883	-
Aggregate net pension obligation	59,914,980	14,417,964	-	74,332,944	-
Compensated absences (net)	2,964,232	322,122	-	3,286,354	736,769
<b>Total Other Liabilities</b>	<b>65,943,450</b>	<b>15,394,485</b>	<b>679,136</b>	<b>80,658,799</b>	<b>1,001,387</b>
<b>Total Long-Term Obligations</b>	<b>\$ 308,320,133</b>	<b>\$ 121,849,556</b>	<b>\$ 107,452,717</b>	<b>\$ 322,716,972</b>	<b>\$ 7,361,387</b>

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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### **Description of Debt**

Payments of the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. Payments for the certificates of participation (COPs) is made by the Other Debt Service Fund. The compensated absences and early retirement plan will be paid by the fund for which the employee worked. Pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee worked. See Note 15 for further details of the aggregate net pension obligation. Capital lease payments are made out of the General Unrestricted and Restricted Fund. Payments for other postemployment obligations will be made by the Unrestricted General Fund.

In November 2001, voters authorized a total of \$82,110,000 in general obligation bonds. In July 2003, the District issued Election of 2001 Series 2003 General Obligation Bonds in the amount of \$17,498,982. The bonds were issued as capital appreciation bonds. The bonds were issued to finance the acquisition, modernization, and renovation of District facilities. The bonds bear interest rates of 1.05 to 5.60 percent. At June 30, 2016, the principal balance outstanding was \$16,466,350.

In October 2005, the District issued Election of 2001 Series 2005 General Obligation Bonds in the amount of \$42,981,087. The bonds were issued as current interest bonds in the aggregate principal amount of \$39,310,000 and as capital appreciation bonds in the principal amount of \$3,671,087. The bonds were issued to finance the acquisition, modernization, and renovation of District facilities. The bonds bear interest rates of 3.00 to 5.00 percent. At June 30, 2016, the principal balance outstanding was \$6,704,876.

In November 2006, voters authorized a total of \$160,000,000 in general obligation bonds. In May 2007, the District issued Election of 2006 Series 2007 General Obligation Bonds in the amount of \$79,997,270. The bonds were issued as current interest bonds in the aggregate principal amount of \$57,105,000 and as capital appreciation bonds in the principal amount of \$22,892,270. The bonds were issued to finance the acquisition, modernization, and renovation of District facilities. The bonds bear interest rates of 4.00 to 5.00 percent. At June 30, 2016, the principal balance outstanding was \$780,000.

In May 2012, the District issued Election of 2006 Series 2012 General Obligation Bonds in the amount of \$35,000,000. The bonds were issued as current interest bonds. The bonds were issued to finance the acquisition, modernization, and renovation of District facilities. The bonds bear interest rates of 2.00 to 5.00 percent. At June 30, 2016, the principal balance outstanding was \$33,065,000. Unamortized premium received on issuance of the bonds amounted to \$2,233,509 as of June 30, 2016.

In February 2013, the District issued the \$33,765,000 2013 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2028, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$39,057,475 (representing the principal amount of \$33,765,000 plus premium on issuance of \$5,292,475) from the issuance were used to advance refund the District's outstanding 2001 General Obligation Bonds, Series 2005 maturing on August 1, 2016 through and including August 1, 2028, and to pay the cost of the issuance associated with the refunding bonds. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cumulative cash flow saving of \$4,520,284 over the life of the new debt and an economic gain of \$3,730,822 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.403 percent. At June 30, 2016, the principal balance outstanding was \$33,420,000. Unamortized premium received on issuance of the bonds amounted to \$4,154,308 as of June 30, 2016.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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In September 2014, the District issued Election of 2006 Series 2014 General Obligation Bonds in the amount of \$25,000,000. The bonds were issued as current interest bonds. The bonds were issued to finance the acquisition, modernization, and renovation of District facilities. The bonds bear interest rates of 2.00 to 5.00 percent. At June 30, 2016, the principal balance outstanding was \$24,000,000. Unamortized premium received on issuance of the bonds amounted to \$1,116,613 as of June 30, 2016.

In May 2016, the District issued the \$94,050,000 2016 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2046, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$103,474,669 (representing the principal amount of \$94,050,000 plus premium on issuance of \$9,424,669) from the issuance were used to currently refund the District's outstanding 2005 General Obligation Refunding Bonds, maturing on August 1, 2016 through and including August 1, 2021, and to advance refund a portion of the District's outstanding General Obligation Bonds, Series 2007 maturing on August 1, 2016 and including August 1, 2018 through August 1, 2046, and to pay the cost of the issuance associated with the refunding bonds. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cumulative cash flow saving of \$35,068,066 over the life of the new debt and an economic gain of \$22,824,480 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.682 percent. At June 30, 2016, the principal balance outstanding was \$94,050,000. Unamortized premium received on issuance of the bonds amounted to \$9,398,634 as of June 30, 2016.

In June 2006, certificates of participation were issued in the amount of \$28,675,000 to finance the construction and renovation of college facilities and the acquisition and installation of equipment, advance refund the District's lease revenue bonds, and advance refund the District's 2001 certificates of participation. A portion of the proceeds of the 2006 certificates of participation were deposited in an escrow fund to defease all of the outstanding 2001 certificates of participation and lease revenue bonds and to provide for their prepayment.

In May 2012, the District issued General Obligation Bonds, Election 2006, Series 2012 in the amount of \$35,000,000 to finance the acquisition of construction, modernization, and renovation of District sites and facilities, and to refinance the 2006 COP Partial Refunding. A portion of the proceeds of the Series 2012 were deposited in an escrow fund for the 2006 COP Partial Refunding in the amount of \$12,838,050. At June 30, 2016, the balance outstanding was \$10,885,000. Interest rates on the certificates range from 3.875 percent to 4.875 percent.

In April 2009, certificates of participation were issued in the amount of \$8,085,000 to finance the construction of fire training facilities and the acquisition and installation of equipment and various site improvements. At June 30, 2016, the balance outstanding was \$5,730,000. Unamortized premium received on issuance of the certificates amounted to \$53,883 as of June 30, 2016. Interest rates on the certificates range from 3.0 percent to 4.875 percent.

The District has utilized capital lease agreements to purchase equipment. The current lease purchase agreements will be paid through 2017.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding End of Year
2003	08/01/28	1.05%-5.60%	\$ 17,498,982	\$ 16,815,111	\$ -	\$ 881,239	\$ 1,230,000	\$ 16,466,350
2005	08/01/21	3.00%-5.00%	16,730,909	10,932,258	-	72,742	11,005,000	-
2005	08/01/30	3.00%-5.00%	42,981,087	7,148,771	-	386,105	830,000	6,704,876
2007	08/01/16	4.00%-5.00%	79,997,270	86,870,686	-	1,640,316	87,731,002	780,000
2012	08/01/42	2.00%-5.00%	35,000,000	33,065,000	-	-	-	33,065,000
2013	08/01/28	2.00%-5.00%	33,765,000	33,420,000	-	-	-	33,420,000
2014	08/01/39	2.00%-5.00%	25,000,000	25,000,000	-	-	1,000,000	24,000,000
2016	08/01/46	2.00%-5.00%	94,050,000	-	94,050,000	-	-	94,050,000
				<u>\$ 213,251,826</u>	<u>\$ 94,050,000</u>	<u>\$ 2,980,402</u>	<u>\$ 101,796,002</u>	<u>\$ 208,486,226</u>

The General Obligation Bonds, Series 2003, mature through 2029 as follows:

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2017	\$ 1,259,026	\$ 30,974	\$ 1,290,000
2018	1,253,231	96,769	1,350,000
2019	1,246,997	168,003	1,415,000
2020	1,244,103	245,897	1,490,000
2021	1,231,714	328,286	1,560,000
2022-2026	5,995,379	3,049,621	9,045,000
2027-2029	4,235,900	3,803,800	8,039,700
Total	<u>\$ 16,466,350</u>	<u>\$ 7,723,350</u>	<u>\$ 24,189,700</u>

The General Obligation Bonds, Series 2005, mature through 2031 as follows:

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2027-2031	<u>\$ 6,704,876</u>	<u>\$ 8,960,124</u>	<u>\$ 15,665,000</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The General Obligation Bonds, Series 2007, mature through 2017 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2017	\$ 780,000	\$ 19,500	\$ 799,500

The General Obligation Bonds, Series 2012, mature through 2043 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2017	\$ -	\$ 1,518,050	\$ 1,518,050
2018	-	1,518,050	1,518,050
2019	-	1,518,050	1,518,050
2020	-	1,518,050	1,518,050
2021	135,000	1,514,675	1,649,675
2022-2026	1,850,000	7,375,950	9,225,950
2027-2031	4,220,000	6,779,800	10,999,800
2032-2036	7,695,000	5,344,625	13,039,625
2037-2041	12,520,000	2,919,475	15,439,475
2042-2043	6,645,000	291,600	6,936,600
Total	\$ 33,065,000	\$ 30,298,325	\$ 63,363,325

The 2013 General Obligation Refunding Bonds mature through 2029 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2017	\$ 870,000	\$ 1,387,750	\$ 2,257,750
2018	935,000	1,351,650	2,286,650
2019	1,005,000	1,317,875	2,322,875
2020	1,065,000	1,281,500	2,346,500
2021	1,140,000	1,237,400	2,377,400
2022-2026	16,050,000	4,548,975	20,598,975
2027-2029	12,355,000	590,875	12,945,875
Total	\$ 33,420,000	\$ 11,716,025	\$ 45,136,025



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The General Obligation Bonds, Series 2014, mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	Current Interest to <u>Maturity</u>	<u>Total</u>
2017	\$ -	\$ 965,125	\$ 965,125
2018	55,000	964,575	1,019,575
2019	135,000	962,000	1,097,000
2020	240,000	955,175	1,195,175
2021	220,000	945,975	1,165,975
2022-2026	2,115,000	4,494,375	6,609,375
2027-2031	4,475,000	3,700,931	8,175,931
2032-2036	7,615,000	2,577,088	10,192,088
2037-2040	9,145,000	772,100	9,917,100
Total	<u>\$ 24,000,000</u>	<u>\$ 16,337,344</u>	<u>\$ 40,337,344</u>

The 2016 General Obligation Refunding Bonds mature through 2047 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	Current Interest to <u>Maturity</u>	<u>Total</u>
2017	\$ 2,295,000	\$ 2,317,537	\$ 4,612,537
2018	1,335,000	3,541,500	4,876,500
2019	1,415,000	3,506,925	4,921,925
2020	1,495,000	3,455,800	4,950,800
2021	1,605,000	3,385,775	4,990,775
2022-2026	2,080,000	16,333,525	18,413,525
2027-2031	4,760,000	15,810,438	20,570,438
2032-2036	12,060,000	14,281,962	26,341,962
2037-2041	21,835,000	11,388,975	33,223,975
2042-2046	35,880,000	5,707,800	41,587,800
2047	9,290,000	185,800	9,475,800
Total	<u>\$ 94,050,000</u>	<u>\$ 79,916,037</u>	<u>\$ 173,966,037</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Certificates of Participation

The certificates mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 660,000	\$ 491,071	\$ 1,151,071
2018	680,000	462,171	1,142,171
2019	710,000	431,676	1,141,676
2020	725,000	399,744	1,124,744
2021	755,000	366,067	1,121,067
2022-2026	3,955,000	1,273,505	5,228,505
2027-2031	3,155,000	398,950	3,553,950
2032	245,000	5,972	250,972
Total	<u>\$ 10,885,000</u>	<u>\$ 3,829,156</u>	<u>\$ 14,714,156</u>

The certificates mature through 2025 as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 465,000	\$ 245,106	\$ 710,106
2018	480,000	226,206	706,206
2019	500,000	206,606	706,606
2020	520,000	186,206	706,206
2021	540,000	164,331	704,331
2022-2025	3,225,000	374,936	3,599,936
Total	<u>\$ 5,730,000</u>	<u>\$ 1,403,391</u>	<u>\$ 7,133,391</u>

### Capital Leases

The District's liability on lease agreements with options to purchase is summarized below:

	Equipment
Balance, July 1, 2015	\$ 82,545
Payments	45,025
Balance, June 30, 2016	<u>\$ 37,520</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
<u>2017</u>	<u>\$ 37,520</u>
Less: Amount Representing Interest	703
Present Value of Minimum Lease Payments	<u><u>\$ 36,817</u></u>

The equipment purchased through capital lease arrangements has been capitalized and is being depreciated over the estimated useful lives.

Equipment	\$ 203,031
Less: Accumulated depreciation	169,192
Total	<u><u>\$ 33,839</u></u>

Amortization of the leased equipment under capital lease is included with depreciation expense.

### Early Retirement Plan

The District has entered into an agreement to provide certain benefits to employees participating in the early retirement incentive program. The District will pay a total of \$227,801 on behalf of the retirees over the next three years in accordance with the following schedule:

Year Ending June 30,	
<u>2017</u>	<u><u>\$ 227,801</u></u>

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$723,960, and contributions made by the District during the year were \$275,631. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$107,825 and \$(177,386), respectively, which resulted in an increase to the net OPEB obligation of \$378,768. As of June 30, 2016, the net OPEB obligation was \$2,774,883. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### Aggregate Net Pension Obligation

At June 30, 2016, the liability for the aggregate net pension obligation amounted to \$74,332,944. See Note 15 for additional information.

### Compensated Absences

At June 30, 2016, the total unpaid compensated absences was \$3,286,354.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### **NOTE 12 - LEASE REVENUES**

The District has property held for lease with an estimated cost of \$3,143,011 and accumulated depreciation of \$1,304,389. Lease agreements have been entered into with various lessors for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	
2017	\$ 933,725
2018	937,885
2019	942,098
2020	946,363
2021	950,682
Total	<u>\$ 4,710,753</u>

### **NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

#### **Plan Description**

The Santa Clarita Community College District Health Plan (the Plan) is a single-employer defined benefit health care plan administered by Santa Clarita Community College District. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 123 retirees and beneficiaries currently receiving benefits and 488 active Plan members.

#### **Contribution Information**

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed \$275,631 to the Plan, all of which was used for current premiums.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 723,960
Interest on net OPEB obligation	107,825
Adjustment to annual required contribution	(177,386)
Annual OPEB cost (expense)	<u>654,399</u>
Contributions made	(275,631)
Increase in net OPEB obligation	<u>378,768</u>
Net OPEB obligation, July 1, 2015	<u>2,396,115</u>
Net OPEB obligation, June 30, 2016	<u><u>\$ 2,774,883</u></u>

### Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$ 595,000	\$ 258,283	43%	\$ 1,998,292
2015	665,948	268,125	40%	2,396,115
2016	654,399	275,631	42%	2,774,883

### Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 8,607,997
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 8,607,997</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	<u>N/A</u>
UAAL as Percentage of Covered Payroll	<u><u>N/A</u></u>

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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The above noted actuarial accrued liability was based on the January 1, 2015, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the bargaining unit agreements and administrative contracts and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return based on the assumed long-term return on Plan assets or employer assets. The cost trend rate used for the Medical, Dental, and Vision Programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period is 22 years. The actuarial value of assets was not determined in this actuarial study as there were none.

### ***NOTE 14 - RISK MANAGEMENT***

#### **Property and Liability Insurance Coverages**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property with coverages of \$250,000,000, subject to various policy limits. The District also purchases commercial insurance for general liability claims with coverage up to \$5,000,000 per occurrence, all subject to various deductibles.

#### **Joint Powers Authority Risk Pools**

During fiscal year ended June 30, 2016, the District contracted with the Statewide Association of Community Colleges (SWACC)/Schools Association for Excess Risk (SAFER) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Workers' Compensation

For fiscal year 2016, the District participated in the Protected Insurance Program for Schools (PIPS) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

### NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2016, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 43,356,157	\$ 7,916,020	\$ 7,674,781	\$ 3,167,061
CalPERS	30,976,787	10,299,045	8,333,804	2,707,773
Total	<u>\$ 74,332,944</u>	<u>\$ 18,215,065</u>	<u>\$ 16,008,585</u>	<u>\$ 5,874,834</u>

The details of each plan are as follows:

### California State Teachers' Retirement System (CalSTRS)

#### Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

### Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above, and the District's total contributions were \$3,342,600.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$	43,356,157
State's proportionate share of net pension liability associated with the District		22,930,627
Total	\$	<u>66,286,784</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.0644 percent and 0.0625 percent, respectively, resulting in a net increase in the proportionate share of 0.0019 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$3,167,061. In addition, the District recognized pension expense and revenue of \$1,776,235 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,342,600	\$ -
Net change in proportionate share of net pension liability	1,157,361	-
Differences between projected and actual earnings on pension plan investments	3,416,059	6,950,289
Differences between expected and actual experience in the measurement of the total pension liability	-	724,492
Total	<u>\$ 7,916,020</u>	<u>\$ 7,674,781</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (1,462,749)
2018	(1,462,749)
2019	(1,462,749)
2020	854,017
Total	<u>\$ (3,534,230)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 72,145
2018	72,145
2019	72,145
2020	72,145
2021	72,145
Thereafter	72,144
Total	<u>\$ 432,869</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 65,464,422
Current discount rate (7.60%)	43,356,157
1% increase (8.60%)	24,982,404

### California Public Employees' Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above, and the total District contributions were \$2,949,452.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$30,976,787. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.2102 percent and 0.2058 percent, respectively, resulting in a net increase in the proportionate share of 0.0044 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$2,707,773. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,949,452	\$ -
Net change in proportionate share of net pension liability	491,617	282,226
Difference between projected and actual earnings on pension plan investments	5,087,607	6,148,279
Differences between expected and actual experience in the measurement of the total pension liability	1,770,369	-
Changes of assumptions	-	1,903,299
Total	<u>\$ 10,299,045</u>	<u>\$ 8,333,804</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (777,524)
2018	(777,524)
2019	(777,524)
2020	1,271,900
Total	<u>\$ (1,060,672)</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (17,428)
2018	(17,428)
2019	111,317
Total	<u>\$ 76,461</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

### Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.65%)	\$ 50,417,301
Current discount rate (7.65%)	30,976,787
1% increase (8.65%)	14,810,700



# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2016, which amounted to \$1,828,057 (7.12589 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2016. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

### **Deferred Compensation**

The District offers its employees three deferred compensation plans created in accordance with Internal Revenue Code Sections 457 and 403(b). The plans, available to all District employees with the exception of College Assistants, permit them to defer a portion of their salary until future years. Depending on the plan, the deferred compensation is not available to employees until termination, retirement, death, disability, hardship, or unforeseeable emergency.

All assets of the 457 plans are held in trusts for the exclusive benefit of participants. All assets of the 403(b) plan are individually owned by participants.

### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its plan for all employees, as well as the CalSTRS Cash Balance Benefit Program (an alternative plan) for adjunct faculty. Contributions made by the District and an employee vest immediately. The District contributes 6.20 percent of an employee's gross earnings (four percent for CalSTRS Cash Balance Benefit Program participants). An employee is required to contribute 6.20 percent of his or her gross earnings to the pension plan (four percent for CalSTRS Cash Benefit Program participants).

### ***NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

The District is a member of the Protected Insurance Program for Schools (PIPS), the Statewide Association of Community College (SWACC)/Schools Association for Excess Risk (SAFER), Alameda County Schools Insurance Group/Educational Dental Group Enterprise (ACSIG/Edge), Self-Insured Schools of California (SISC), and Alameda County Schools Insurance Group (ACSIG) JPAs. The District pays premiums for its workers' compensation and property liability coverage, as well as monthly premiums for employee Delta Dental and Vision Service Plan coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2016, the District made payments of \$1,427,912, \$477,414, \$882,516, \$182,440, and \$4,040,496 to PIPS, SWACC/SAFER, ACSIG/Edge, ACSIG, and SISC JPAs, respectively.

### ***NOTE 17 - COMMITMENTS AND CONTINGENCIES***

#### **Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

#### **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 District at June 30, 2016.

#### **Operating Leases**

The District has entered into various operating leases for classrooms/office facilities and equipment. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a six month written notice to lessors. It is expected that, in the normal course of business, most of these leases will be replaced by similar leases. Expenditures for rent under leases for the year ended June 30, 2016, amounted to \$20,520.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitments	Expected Dates of Completion
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	28,098	September 30, 2016
Modernization PE West	21,760	January 31, 2017
Marquees Valencia/CCC	42,052	September 30, 2016
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
Welding Fume Extraction System	58,450	December 31, 2016
	<u>\$ 8,235,985</u>	

The projects are funded through a combination of general obligation bonds, certificates of participation, and capital project apportionments from the California State Chancellor's Office.

### NOTE 18 - SUBSEQUENT EVENTS

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

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2016

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
January 1, 2011	\$ -	\$ 6,729,692	\$ 6,729,692	0%	N/A	N/A
January 1, 2013	-	7,659,738	7,659,738	0%	N/A	N/A
January 1, 2015	-	8,607,997	8,607,997	0%	N/A	N/A

See accompanying note to required supplementary information.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
<b>CalSTRS</b>		
District's proportion of the net pension liability	0.0644%	0.0625%
District's proportionate share of the net pension liability	\$ 43,356,157	\$ 36,549,539
State's proportionate share of the net pension liability associated with the District	22,930,627	22,070,189
Total	<u>\$ 66,286,784</u>	<u>\$ 58,619,728</u>
District's covered - employee payroll	<u>\$ 25,442,973</u>	<u>\$ 27,811,867</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	170.41%	131.42%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
<b>CalPERS</b>		
District's proportion of the net pension liability	0.2102%	0.2058%
District's proportionate share of the net pension liability	<u>\$ 30,976,787</u>	<u>\$ 23,365,441</u>
District's covered - employee payroll	<u>\$ 21,785,743</u>	<u>\$ 21,565,373</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	142.19%	108.35%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

*Note* : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
<b>CalSTRS</b>		
Contractually required contribution	\$ 3,342,600	\$ 2,259,336
Contributions in relation to the contractually required contribution	3,342,600	2,259,336
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 31,151,911</u>	<u>\$ 25,442,973</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 2,949,452	\$ 2,564,182
Contributions in relation to the contractually required contribution	2,949,452	2,564,182
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 24,889,890</u>	<u>\$ 21,785,743</u>
Contributions as a percentage of covered - employee payroll	<u>11.85%</u>	<u>11.77%</u>

*Note :* In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016**

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### ***NOTE 1 - PURPOSE OF SCHEDULES***

#### **Schedule of Other Postemployment Benefits (OPEB) Funding Progress**

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

#### **Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

#### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

#### **Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

#### **Changes in Assumptions**

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.



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***SUPPLEMENTARY INFORMATION***

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# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2016

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The Santa Clarita Community College District is a single college district established in November 1967 with two campuses: Valencia and Canyon Country. The Valencia Campus is comprised of an area of approximately 153 acres, and the Canyon Country Campus is comprised of an area of approximately 70 acres. Both campuses are located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Bruce D. Fortine	President	2016
Steve D. Zimmer	Vice President	2016
Michael D. Berger	Clerk	2018
Michele R. Jenkins	Member	2016
Joan W. MacGregor	Member	2018

### ADMINISTRATION

Dianne G. Van Hook, Ed.D.	Chancellor/Secretary/Parliamentarian to the Governing Board
Barry Gribbons, Ph.D.	Deputy Chancellor
Michael Wilding, Ph.D.	Assistant Superintendent/Vice President, Student Services
Jerry Buckley, Ed.D.	Assistant Superintendent/Vice President, Instruction
Sharlene L. Coleal	Assistant Superintendent/Vice President, Business Services
Diane Fiero, Ed.D.	Assistant Superintendent/Vice President, Human Resources
Jim Schrage	Assistant Superintendent/Vice President, Facilities Planning, Operations, and Construction
Eric Harnish	Vice President, Public Information, Advocacy, and External Relations
Cindy Grandgeorge	Associate Vice President, Business Services

See accompanying note to supplementary information.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amounts Passed to Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass through from California Department of Education				
Child and Adult Care Food Program	10.558	2346-4A	\$ 32,230	\$ -
Pass through from Los Angeles County Office of Education				
Forest Reserve	10.665	[1]	20,289	-
<b>Total U.S. Department of Agriculture</b>			<b>52,519</b>	<b>-</b>
<b>NATIONAL SCIENCE FOUNDATION</b>				
Research and Development Cluster				
California Regional Consortium for Engineering Advances in Technical Education (CREATE)				
CREATE Renewable Energy Regional Center, Year 04	47.076		300,362	6,221
CREATE Renewable Energy Regional Center, Supplement (Virgin Islands)	47.076		60,475	-
CREATE ATE Center Longitudinal Targeted Research Study	47.076		15,626	-
Advanced, Automated Manufacturing and Processing Technicians Program*	47.076		178,018	-
Pass through from City College of San Francisco				
Mid-Pacific Information and Communications Technologies (MPICT)	47.076	130822-1-B-T	3,643	-
Pass through from Villanova University				
Training a New Generation of Statistics Educators (TANGO Stat Ed)	47.076	[1]	45,566	-
<b>Total Research and Development Cluster</b>			<b>603,690</b>	<b>6,221</b>
<b>Total National Science Foundation</b>			<b>603,690</b>	<b>6,221</b>
<b>U.S. DEPARTMENT OF SMALL BUSINESS ADMINISTRATION</b>				
Pass through from Long Beach City Community College District				
Small Business Development Center	59.037	CN99720.4	158,883	-
Small Business Development Center	59.037	CN99733.8	165,785	-
<b>Total U.S. Department of Small Business Administration</b>			<b>324,668</b>	<b>-</b>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>				
Veterans Outreach Program - Administration	64.117		4,783	-

[1] Pass-Through Entity Identifying Number is unavailable.

\* Research and Development Grant

See accompanying note to supplementary information.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amounts Passed to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		\$ 15,348,499	\$ -
Federal Pell Administration Allowance	84.063		22,550	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		331,824	-
Federal FSEOG Administration Allowance	84.007		22,121	-
Federal Work-Study Program	84.033		231,068	-
Federal Work-Study Program Administration Allowance	84.033		15,405	-
Federal Direct Student Loans	84.268		3,367,299	-
Total Student Financial Assistance Cluster			19,338,766	-
TRIO Cluster				
Upward Bound Program, Year 3 of 5	84.047A		54,010	-
Upward Bound Program, Year 4 of 5	84.047A		154,669	-
Total TRIO Cluster			208,679	-
<b>CAREER AND TECHNICAL EDUCATION ACT</b>				
Pass through from California Community Colleges Chancellor's Office				
Perkins, Title I, Part C	84.048	15-C01-054	419,981	-
CTE Transitions	84.048A	15-112-660	45,119	-
<b>HIGHER EDUCATION ACT</b>				
Title V - Hispanic-Servicing Institutions	84.031S		472,368	-
Pass through from University Corporation (CSUN)				
Hispanic-Servicing Institutions - Science, Technology, Engineering, and Mathematics Initiative (HSI-STEM)	84.031C	F-11-2910COC	104,043	-
Total U.S. Department of Education			20,588,956	-

[1] Pass-Through Entity Identifying Number is unavailable.

\* Research and Development Grant

See accompanying note to supplementary information.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amounts Passed to Subrecipients
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Substance Abuse and Mental Health Services Administration				
Campus Suicide Prevention Grant	93.243		\$ 108,111	\$ -
Pass through from Los Angeles County Office of Education				
Medical Administrative Activities (MAA)	93.778	C-15068	104,072	-
Pass through from California Community Colleges Chancellor's Office				
Foster and Kinship Care Education (FKCE)	93.658	[1]	46,520	-
CCDF Cluster				
Pass through from Yosemite Community College District				
Child Development - Training Consortium	93.575	15-16-3155	7,753	-
Pass through from Chabot-Las Positas Community College District				
Child Development - Mentor Teacher	93.575	CN150142	665	-
Pass through from California Department of Education				
Child Development - General Child Care/Development Programs	93.596	13609/6497	37,787	-
Child Development - General Child Care/Development Programs	93.575	15136/6497	20,347	-
Total CCDF Cluster			<u>66,552</u>	<u>-</u>
TANF Cluster				
Pass through from California Community Colleges Chancellor's Office				
Temporary Assistant for Needy Families (TANF)	93.558	[1]	64,826	-
Pass through from California Department of Social Services				
Department of Public Social Services (DPSS)/CalWORKs Grant	93.558	CCCP15011	56,080	-
Total TANF Cluster			<u>120,906</u>	<u>-</u>
<b>Total U.S. Department of Health and     Human Services</b>			<u>446,161</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 22,020,777</u>	<u>\$ 6,221</u>

[1] Pass-Through Entity Identifying Number is unavailable.

\* Research and Development Grant

See accompanying note to supplementary information.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2016

Program	Program Entitlements		
	Current Year	Prior Year Carryforward	Total Entitlement
A D N Enrollment Growth (7/1/15 - 6/30/16)	\$ 123,887	\$ -	\$ 123,887
Adult Education Planning Grant - AB86	-	114,637	114,637
Adult Education Block Grant Grant - AB104	375,000	-	375,000
Basic Skills Reappropriation 14-15 funds	-	138,754	138,754
Board Financial Assistance Program (BFAP)	538,972	-	538,972
California Career Pathways Trust Implementation	3,549,244	-	3,549,244
California Arts Council - Arts Education	6,000	-	6,000
CA Work Opportunities and Responsibilities	290,861	-	290,861
Cal Grant	1,186,252	-	1,186,252
CCC eTranscript Mini Grant	17,500	-	17,500
Career Tech Educ - Enhancement	317,727	328,500	646,227
Career Tech Educ - SB1070 Career Pathway	573,433	-	573,433
Career Tech Educ - SB1070 Career Pathway (1/1/15 - 6/30/15)	-	520,782	520,782
Career Tech Educ - Teacher Prep Pipeline (FY15-16)	120,000	-	120,000
Career Tech Educ - Teacher Prep Pipeline (FY14-15)	-	77,007	77,007
Child Development - Child Nutrition	1,800	-	1,800
Child Development - Foster Parent	53,740	-	53,740
Child Development - Foster Parent - CSEC	3,750	-	3,750
Child Development - General Childcare and Dev Programs	82,279	-	82,279
Child Development - State Preschool Contract	260,313	-	260,313
Closed Caption Grant - Distance Ed - Butte	-	119,853	119,853
Closed Caption Grant - Distance Ed (FY14-15)	-	1,000,000	1,000,000
Closed Caption Grant - Distance Ed (FY15-16)	1,000,000	-	1,000,000
Cooperative Agency Res for Education (CARE)	72,945	-	72,945
Deputy Sector Navigator - Advanced Manufacturing (SB858)	100,000	100,000	200,000
Deputy Sector Navigator - Advanced Manufacturing	200,000	200,000	400,000
Deputy Sector Navigator - Health (SB858)	100,000	100,000	200,000
Deputy Sector Navigator - Health	200,000	200,000	400,000
Deputy Sector Navigator - Info Comm Tech (SB858)	100,000	100,000	200,000
Deputy Sector Navigator - Info Comm Tech	200,000	200,000	400,000
Deputy Sector Navigator - Water Project	-	1,000	1,000
Disabled Student Programs and Services	1,112,933	-	1,112,933
Economic Development - Econ Dev Center (FY14-15)	-	730,000	730,000
Economic Development - Econ Dev Center Coord Svcs	1,125,950	-	1,125,950
Extended Opportunity Program and Services	510,687	-	510,687
Full Time Student Success Grant	328,996	-	328,996

See accompanying note to supplementary information.

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Program Revenues

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Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 113,976	\$ 9,911	\$ -	\$ -	\$ 123,887	\$ 123,887
114,637	-	-	-	114,637	114,637
436,855	-	-	329,899	106,956	106,956
138,754	-	-	-	138,754	138,754
538,972	-	-	-	538,972	538,972
2,775,206	-	-	1,218,298	1,556,908	1,556,908
5,400	600	-	-	6,000	6,000
290,861	-	-	-	290,861	290,861
1,075,093	111,159	-	-	1,186,252	1,186,252
17,500	-	-	17,500	-	-
491,707	-	-	160,285	331,422	331,422
-	177,936	-	-	177,936	177,936
297,612	80,800	-	-	378,412	378,412
96,000	-	-	39,405	56,595	56,595
77,007	-	-	-	77,007	77,007
3,120	238	-	-	3,358	3,358
27,558	26,182	-	-	53,740	53,740
-	3,750	-	-	3,750	3,750
75,343	1,563	-	-	76,906	76,906
231,410	-	5,561	-	225,849	225,849
119,853	-	-	119,853	-	-
318,249	-	-	-	318,249	318,249
400,000	148,601	-	-	548,601	548,601
72,945	-	-	-	72,945	72,945
-	112,421	-	-	112,421	112,421
80,000	145,501	-	-	225,501	225,501
40,000	82,466	-	-	122,466	122,466
120,000	124,547	-	-	244,547	244,547
-	112,275	-	-	112,275	112,275
80,000	140,153	-	-	220,153	220,153
6,193	-	-	44	6,149	6,149
1,112,933	-	-	-	1,112,933	1,112,933
-	351,615	-	-	351,615	351,615
220,000	506,282	-	-	726,282	726,282
510,687	-	-	-	510,687	510,687
328,966	-	5,566	-	323,400	323,400

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED FOR THE YEAR ENDED JUNE 30, 2016

Program	Program Entitlements		
	Current Year	Prior Year Carryforward	Total Entitlement
Industry Driven Regional Collaborative - Health Information Coding	\$ -	\$ 229,836	\$ 229,836
Interdisciplinary Studies	22,588	-	22,588
Institutional Support Services	76,064	-	76,064
Institutional Effectiveness and Technical Assistance (Year 1)	-	2,500,000	2,500,000
Institutional Effectiveness and Technical Assistance (Year 2)	5,500,000	-	5,500,000
Institutional Equipment and Support Block Grant	1,990,261	-	1,990,261
Los Angeles Universal Preschool	300,000	-	300,000
Office of Statewide Health & Planning & Development	11,999	-	11,999
Proposition 39 - Kern County	-	47,800	47,800
Proposition 39 - Kern County - Clean Energy Workforce	19,140	-	19,140
Small Business Development Center - GO Biz	75,000	70,000	145,000
Song Brown Grant	-	70,524	70,524
Song Brown Grant (Capitation: 13-4050 Yr 2)	-	80,000	80,000
Song Brown Grant (Capitation: 14-5346 Yr 1)	40,000	-	40,000
Song Brown Grant (Special Programs: 14-5347 Yr 2)	67,934	-	67,934
Staff Diversity	6,792	-	6,792
Staff Diversity Carry Forward	-	500	500
Student Equity	1,582,414	-	1,582,414
Student Equity Carry Forward	-	395,992	395,992
Student Success - Mesa Grant	50,500	-	50,500
Student Success - Mesa Grant Carry Forward	-	50,500	50,500
Student Success and Student Programs - Credit	3,209,094	-	3,209,094
Student Success and Student Programs - Credit Carryforward	-	347,973	347,973
Student Success and Student Programs - Non-Credit	126,664	-	126,664
Student Success and Student Programs - Non-Credit Carryforward	-	10,248	10,248
Student Success - Middle College HS (AOC)	99,000	-	99,000
Total State Programs	<u>\$ 25,729,719</u>	<u>\$ 7,733,906</u>	<u>\$ 33,463,625</u>

See accompanying note to supplementary information.



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Program Revenues

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Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 91,934	\$ 7,611	\$ -	\$ -	\$ 99,545	\$ 99,545
22,588	-	-	-	22,588	22,588
76,064	-	-	-	76,064	76,064
1,634,646	-	-	-	1,634,646	1,634,646
2,200,000	347,549	-	-	2,547,549	2,547,549
1,990,261	-	-	-	1,990,261	1,114,131
300,000	-	-	295,233	4,767	4,767
10,799	1,200	-	-	11,999	11,999
23,939	-	-	-	23,939	23,939
-	18,781	-	-	18,781	18,781
95,898	16,628	-	-	112,526	112,526
33,719	-	-	-	33,719	33,719
13,344	-	-	-	13,344	13,344
30,000	10,000	-	-	40,000	40,000
20,854	47,080	-	-	67,934	67,934
6,792	-	-	-	6,792	6,661
500	-	-	-	500	476
1,582,414	-	-	-	1,582,414	1,159,998
395,992	-	-	-	395,992	395,992
30,300	1,927	-	-	32,227	32,227
28,278	-	-	-	28,278	28,278
3,209,094	-	-	-	3,209,094	2,741,602
347,973	-	-	-	347,973	347,973
126,664	-	-	-	126,664	17,266
10,248	-	-	-	10,248	10,248
39,600	59,400	-	-	99,000	99,000
<u>\$ 22,538,738</u>	<u>\$ 2,646,176</u>	<u>\$ 11,127</u>	<u>\$ 2,180,517</u>	<u>\$ 22,993,270</u>	<u>\$ 21,117,679</u>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
APPORTIONMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>**Revised Reported Data</b>	<b>Audit Adjustments</b>	<b>Audited Data</b>
<b>CATEGORIES</b>			
<b>A. Summer Intersession (Summer 2015 only)</b>			
1. Noncredit*	16.79	-	16.79
2. Credit	814.58	-	814.58
<b>B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)</b>			
1. Noncredit*	5.59	-	5.59
2. Credit	922.08	-	922.08
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,230.99	-	9,230.99
(b) Daily Census Contact Hours	1,175.78	-	1,175.78
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	406.00	-	406.00
(b) Credit	1,548.10	-	1,548.10
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,059.32	-	1,059.32
(b) Daily Census Contact Hours	815.54	-	815.54
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<b>15,994.77</b>	<b>-</b>	<b>15,994.77</b>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	1,335.56	-	1,335.56
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit*	184.03	-	184.03
2. Credit	667.37	-	667.37
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	181.64	-	181.64
Centers FTES			
1. Noncredit*	35.61	-	35.61
2. Credit	2,174.49	-	2,174.49

\* Including Career Development and College Preparation (CDCP) FTES.

\*\* Revised November 1, 2016.

See accompanying note to supplementary information.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2016

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 14,825,353	\$ -	\$ 14,825,353	\$ 14,825,353	\$ -	\$ 14,825,353
Other	1300	14,710,047	-	14,710,047	14,711,047	-	14,711,047
<b>Total Instructional Salaries</b>		29,535,400	-	29,535,400	29,536,400	-	29,536,400
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	5,013,273	-	5,013,273
Other	1400	-	-	-	971,736	-	971,736
<b>Total Noninstructional Salaries</b>		-	-	-	5,985,009	-	5,985,009
<b>Total Academic Salaries</b>		29,535,400	-	29,535,400	35,521,409	-	35,521,409
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	13,205,780	-	13,205,780
Other	2300	-	-	-	1,423,080	-	1,423,080
<b>Total Noninstructional Salaries</b>		-	-	-	14,628,860	-	14,628,860
<b>Instructional Aides</b>							
Regular Status	2200	1,162,196	-	1,162,196	1,162,196	-	1,162,196
Other	2400	1,018,655	-	1,018,655	1,041,645	-	1,041,645
<b>Total Instructional Aides</b>		2,180,851	-	2,180,851	2,203,841	-	2,203,841
<b>Total Classified Salaries</b>		2,180,851	-	2,180,851	16,832,701	-	16,832,701
Employee Benefits	3000	7,948,621	-	7,948,621	14,704,854	-	14,704,854
Supplies and Material	4000	-	-	-	872,964	-	872,964
Other Operating Expenses	5000	1,342,175	-	1,342,175	10,015,377	-	10,015,377
Equipment Replacement	6420	-	-	-	2,165,759	-	2,165,759
<b>Total Expenditures Prior to Exclusions</b>		41,007,047	-	41,007,047	80,113,064	-	80,113,064

See accompanying note to supplementary information.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016**

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
		Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>								
<b>Activities to Exclude</b>								
Instructional Staff - Retirees' Benefits and Retirement Incentives		5900	\$ 274,352	\$ -	\$ 274,352	\$ 274,352	\$ -	\$ 274,352
Student Health Services Above Amount Collected		6441	-	-	-	150,034	-	150,034
Student Transportation		6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives		6740	-	-	-	86,611	-	86,611
<b>Objects to Exclude</b>								
Rents and Leases		5060	-	-	-	234,875	-	234,875
Lottery Expenditures								
Academic Salaries		1000	-	-	-	-	-	-
Classified Salaries		2000	-	-	-	-	-	-
Employee Benefits		3000	-	-	-	-	-	-
Supplies and Materials		4000	-	-	-	-	-	-
Software		4100	-	-	-	-	-	-
Books, Magazines, and Periodicals		4200	-	-	-	-	-	-
Instructional Supplies and Materials		4300	-	-	-	-	-	-
Noninstructional Supplies and Materials		4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>			-	-	-	-	-	-

See accompanying note to supplementary information.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 2,308,018	\$ -	\$ 2,308,018
Capital Outlay	6000						
Library Books	6300	-	-	-	177,917	-	177,917
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	1,987,842	-	1,987,842
Equipment - Replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	1,987,842	-	1,987,842
<b>Total Capital Outlay</b>					2,165,759	-	2,165,759
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		274,352	-	274,352	5,219,649	-	5,219,649
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 40,732,695	\$ -	\$ 40,732,695	\$ 74,893,415	\$ -	\$ 74,893,415
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		54.39%		54.39%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 37,446,708		

See accompanying note to supplementary information.

## **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

### **RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Activity Classification</b>	<b>Object Code</b>	<b>Unrestricted</b>			
EPA Proceeds:	8630				\$ 12,569,724
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 12,569,724	\$ -	\$ -	\$ 12,569,724
<b>Total Expenditures for EPA</b>		\$ 12,569,724	\$ -	\$ -	\$ 12,569,724
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET POSITION JUNE 30, 2016

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### Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

#### Total Fund Balances and Due to Student Groups:

General Fund - unrestricted	\$	10,008,748	
General Fund - restricted		2,515,381	
Special Revenue Funds		762,013	
Capital Projects Funds		26,023,839	
Debt Service Funds		9,842,515	
Enterprise Fund		58,637	
Internal Service Fund		4,907,303	
Fiduciary Funds and due to student clubs		6,465,781	
		<u>                    </u>	\$ 60,584,217

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	338,257,302	
Accumulated depreciation is	<u>(73,350,953)</u>	264,906,349

Amounts held in trust on behalf of others (Trust and Agency Funds) (6,388,740)

Expenditures relating to the issuance of debt were recognized on modified accrual basis, are amortized over the life of the debt on the accrual basis. 5,875,461

Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. 6,292,052

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. (2,402,938)

The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits. 1,366,752

The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense. (4,594,902)

The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits. 1,045,877

The changes of assumptions are not recognized as an expenditure under the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits. (1,903,299)

See accompanying note to supplementary information.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET POSITION, CONTINUED JUNE 30, 2016

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Long-term obligations at year end consist of:

General obligation bond payable	\$ 197,467,368
Unamortized premium - Bonds	16,903,064
Certificate of participation	16,615,000
Unamortized premium- Certificates of participation	53,883
Early retirement plan	227,801
Capital leases payable	36,817
Net OPEB obligation	2,774,883
Compensated absences (less amount set up in Governmental Funds)	2,549,585
Aggregate net pension obligation	74,332,944

In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:

	11,018,858	\$ (321,980,203)
<b>Total Net Position</b>		<u><u>\$ 2,800,626</u></u>

See accompanying note to supplementary information.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016**

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### ***NOTE 1 - PURPOSE OF SCHEDULES***

#### **District Organization**

This schedule provides information about the District's governing board members and administration members.

#### **Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

#### **Schedule of Expenditures of State Awards**

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

#### **Schedule of Workload Measures for State General Apportionment**

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

#### **Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation**

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

#### **Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal audited financial statements.

#### **Proposition 30 Education Protection Act (EPA) Expenditure Report**

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION** **JUNE 30, 2016**

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### **Reconciliation of Governmental Funds to the Statements of Net Position**

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

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***INDEPENDENT AUDITOR'S REPORTS***

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
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 financial statements of the business-type activities and the aggregate remaining fund information of Santa Clarita Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's 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 District's financial statements are free from 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 20, 2016.

### **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 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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vavinek, Time, Day & Co., LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 20, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Santa Clarita Community College District  
Santa Clarita, California

**Report on Compliance for Each Major Federal Program**

We have audited Santa Clarita Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2016. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
December 20, 2016





## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees  
Santa Clarita Community College District  
Santa Clarita, California

### Report on State Compliance

We have audited Santa Clarita Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2016.

### Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2016.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District does not offer Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

The District reports no To Be Arranged (TBA) Hours for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District did not have any expenditures under Proposition 1D State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

*Vauine, Time, Day & Co., LLP*

Rancho Cucamonga, California  
December 20, 2016

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

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# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2016

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### FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.063, 84.007, 84.033, 84.268</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None reported.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None reported.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None reported.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

### *Financial Statement Findings*

None reported.

### *Federal Awards Findings*

#### **2015-001 SPECIAL TESTS AND PROVISIONS - RETURN TO TITLE IV**

##### **Federal Program Affected**

Program Name: Student Financial Assistance Cluster  
CFDA Numbers: 84.007, 84.033, 84.063, and 84.268  
Direct funded by U.S. Department of Education  
Federal Agency: U.S. Department of Education

##### **Criteria or Specific Requirement**

A-133 Compliance Supplement, 34 CFR Section 668.173(b):

Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

##### **Condition**

*Significant Deficiency* - The District's portion of the Return to Title IV funds were not returned within the 45 day requirement.

##### **Questioned Costs**

No questioned costs. The District did return the funds; however, they were not returned within the 45 day requirement.

##### **Context**

There were three students out of 60 tested where the District's portion of the Return to Title IV funds was not returned within the 45 day requirement.



# **SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016**

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### **Effect**

Without proper monitoring of Title IV returns, the District risks noncompliance with the above referenced criteria.

### **Cause**

The District has not implemented policies and procedures to monitor the Return to Title IV funds.

### **Recommendation**

It is recommended that the District implement procedures to ensure that the Return to Title IV funds occurs within 45 days from the date the District determines the student withdrew from all classes.

### **Current Status**

Implemented.

### ***State Awards Findings***

None reported.