



**SANTA CLARITA
COMMUNITY COLLEGE
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

INTRODUCTORY SECTION

Table of Contents	i
Letter of Transmittal	iii

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements - Primary Government	
Statement of Net Position	56
Statement of Revenues, Expenses, and Changes in Net Position	57
Statement of Cash Flows	58
Fiduciary Funds	
Statement of Net Position	60
Statement of Changes in Net Position	61
Notes to Financial Statements	62

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Other Postemployment Benefits (OPEB) Funding Progress	107
Schedule of the District's Proportionate Share of the Net Pension Liability	108
Schedule of District Contributions for Pensions	109
Note to Required Supplementary Information	110

SUPPLEMENTARY INFORMATION

District Organization	112
Schedule of Expenditures of Federal Awards	113
Schedule of Expenditures of State Awards	116
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	119
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	120
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements	123
Proposition 30 Education Protection Act (EPA) Expenditure Report	124
Reconciliation of Governmental Funds to the Statements of Net Position	125
Note to Supplementary Information	127

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	130
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	132
Report on State Compliance	134

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	137
Financial Statement Findings and Recommendations	138
Federal Awards Findings and Questioned Costs	139
State Awards Findings and Questioned Costs	140
Summary Schedule of Prior Audit Findings	142

December 20, 2017

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 to report that the District has received Unmodified Opinions for Financial Statements and Federal Awards in the 2016-2017 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, 2017." There was an audit finding for State Awards identified; however, the District has quickly corrected the finding and are now in compliance. Since 2002, the District has received

Unqualified/Unmodified Opinions on 70 of its 72 audit reports or 97 percent. This includes District, Foundation and General Obligation Bond finance and performance audits.

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

As 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, 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.

It is important to note that we are one of only 12 college districts, out of 72, to return to, and then exceed, 2008 enrollment and funding levels.

DILIGENCE HAS EXCELLENT OUTCOMES

After **47** 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 diligence and effort. In fact, our position as a leader among our peers was shown in myriad ways as we:

- ✓ Were selected as one of 14 colleges for the California College Promise Innovation Grant. A total of 51 colleges applied for this State initiative;
- ✓ Welcomed the first 262 students into our inaugural First-Year Promise program, which was funded with a \$750,000 grant from the State Chancellor's Office. Each First-Year Promise student has all enrollment, student activity and parking fees waived;
- ✓ Were chosen to be a participant for the California Guided Pathways project initiative to support Student Success and Support Programs;
- ✓ 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 114 community colleges);
- ✓ Claimed our **third consecutive** Western State 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 114 community colleges for our completion rate by college-prepared students, **and fifth for completion for under-prepared students. Overall, we rank 10th in California for completion by all students;**
- ✓ **Saved students over \$3 million in remedial textbook costs per year.** COC is a Statewide leader in Open Educational Resources (OER) which offers a no-cost alternative to traditional textbooks by using OER online textbooks and learning materials;
- ✓ 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 **\$16.1 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 **94 new and replacement employees this year 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 2017 than ever before in our college history, with 1,766 students applying for graduation, an increase of 21 percent over 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 at individual colleges while enhancing the system's ability to 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;
- ✓ **Launching IE², 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 21st century careers;
- ✓ **Expanding the use of Open Educational Resources (OER)** in the classroom, **saving students \$3 million in textbook costs last year alone and assisting in securing \$5 million in the State budget** to help other community colleges to do so.

DOING OUR PART TO DEVELOP THE LOCAL ECONOMY

There are 114 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 seeks** a transferable degree 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;
- ✓ Achieving a Top 25 national ranking in Washington Monthly magazine's first-ever list of "Best Two-Year Colleges for Adult Learners";
- ✓ Being recognized as the 2016 Top Performing Small Business Development Center within the Los Angeles region;
- ✓ Receiving \$548,205 from the California Employment Training Panel (ETP) awarded us to conduct skills training for employees at local companies bringing our total amount of ETP contract awarded to \$4 million;

- ✓ Earning the 2017 Outstanding College Work Experience and Internship Program Award from the California Internship and Work Experience Association for placing interns in paid positions within the entertainment industry;
- ✓ Hosting the 5th annual "Startup Weekend SCV" providing a unique opportunity for local developers, designers and business people to team up and build a startup in just 54 hours!
- ✓ **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;
- ✓ Generating \$3.5 million in revenue that was used to train nearly 2,400 employees at more than 900 companies, and awarding 275 nationally recognized training certifications, counseling 899 entrepreneurs, assisting with 50 business start-ups, and helping clients raise \$19.5 million in capital.
- ✓ 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 boosted our fiscal base and resulted in an expansion of student access, support, outreach and service to our community.

Highlights include:

- ✓ Partnering with the L.A. Police Department, L.A. County Fire Department and L.A. County Sheriff's Department as a major training provider;
- ✓ Collaborating with local employers in growing industries, including media arts and entertainment, aerospace, healthcare and biotechnology;
- ✓ Holding the inaugural California Community Colleges Civic Engagement Summit on with 100 visiting community college faculty, leaders and students from across the State to discuss "Reaffirming the Mission of Democracy's Colleges" and "Fostering Civic Engagement Across the Disciplines" and foster a shared understanding of non-partisan civic engagement across the California Community Colleges;
- ✓ **Launching of McKeon Scholars Award & Archive** and the continued expansion of activities and information available through **our Center for Civic Engagement**;
- ✓ **Generating more than \$1.2 million in donations** through our Foundation, benefitting nearly every department and program on campus;
- ✓ Adding **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;

- ✓ Establishing a partnership with the **USC Graduate School of Social Work – Center for Innovation and Research on Veterans & Military Families** 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.
- ✓ **Developing the 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;
- ✓ **Collaborating with the Hart District to make the transition from high school to community college easier for high school students** 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 expand services and increase student enrollment 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 2012-2018 E&FMP is the current guide that details the updates and modernizations that were implemented on both COC campuses last year. These projects were made possible because of **savings realized through the re-funding of Measure M, the college's construction bond passed in 2006 and the passing of Measure E in 2016**. 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 55,000-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, on June 8, 2016.** Along with matching funds from the State, 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;
- Modernize 350,000 square feet of space at the Valencia and Canyon Country campuses;
- Build permanent buildings at the Canyon Country Campus, including plans for six two-story buildings totaling 240,000 square feet (including the Science Center);
- Upgrade our student center to provide expanded career and academic counseling to veterans and students;
- Add facilities for nursing and public safety programs;
- Ensure classrooms and buildings meet current earthquake, health and safety standards;
- Build additional classrooms and facilities to accommodate growing student enrollment;
- And, add new and update existing science labs and classrooms.

Beyond the current plan, we finished with the 2018-2022 Educational & Facilities Master Plan, which guide our facilities development in the years to come.

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 **2018-2022 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;
- ✓ Expanding 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;
- ✓ Increasing faculty and staff, while initiating new curriculum, technology, programs, and partnerships that will enable us to meet our community's needs and to 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;
- ✓ Focusing on our increasingly global student body and determining how best to serve them now and into the future as we continue to learn from one another; and
- ✓ Continuing to offer timely and relevant professional development for 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 ahead, 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.

Vavrinek, Trine, Day & Co., LLP
December 20, 2017

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,

A handwritten signature in black ink, reading "Dr. Dianne G. Van Hook". The signature is written in a cursive style with a large, stylized initial 'D'.

Dr. Dianne G. Van Hook
Chancellor

FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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, 2017, 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 *2016-2017 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, 2017, 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 55 and other required supplementary schedules on pages 107 through 109 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* (Uniform Guidance), and other supplementary information as listed in the Table of Contents are presented for purposes of additional analysis and are 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, 2017, 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 solely 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 effectiveness of the District's 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.

Vavinek, Tunc, Day & Co., LLP

Rancho Cucamonga, California
December 20, 2017

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 fourteen 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, 2017. 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, 2017

COMPONENTS OF THE ANNUAL REPORT

The 2016-17 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 56 through 59.

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 22 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 \$(8,862,901):

- **\$ 53,400,561 in Net Investment in Capital Assets.** This category includes the ending fund balances in three General Obligation Bond funds (Fund 46 - \$14,879,504; Fund 47 - \$11,478,369; and Fund 48 - \$49,853,563) for a total of \$76,211,436. GASB 35 manual entries are then applied as follows: **Add** the value of capital assets based on acquisition cost of \$347,453,134, **deduct** accumulated depreciation of \$81,345,583, **add** the value of debt issuance expenses (costs of issuance) amortized over the life of the debt of \$5,680,155, **deduct** related debt (General Obligation Bond debt, Certificates of Participation, and notes payable) of \$294,598,581.
- **\$ 8,428,412 in Assets Restricted for Debt Service Expenditures.** This amount represents the ending fund balances in the District's two debt service funds set aside for future debt service repayments – one for general obligation bond repayment (Fund 21 – \$12,350,454) and the second for all other debt repayment (Fund 29 - \$163,560) for a total of \$12,514,014. GASB 35 manual entries are then applied as follows: **Deduct** un-matured interest on long-term obligations of \$4,085,602. 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.
- **\$ 4,618,532 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, 2017 - except the General Obligation Bond Fund.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **\$ 2,439,439 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.
- **\$ 586,459 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.
- **\$(78,336,304) 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 \$25,502,278.

GASB 35 manual entries are then applied as follows: **Deduct** other District liabilities from early retirement incentives, compensated absences, and Net OPEB obligation of \$9,363,802 **deduct** Trust and Agency funds containing amounts held in trust on behalf of others (Fund 72, Fund 69, and Associated Student Government) of \$8,266,496, **deduct** general obligation bond capital appreciation bond accreted interest to date of \$11,692,852, and **deduct** the District's share of STRS and PERS aggregate net pension obligations and related adjustments of \$74,515,432. 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 2014-15 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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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.

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, 2017. The District's current actuarial accrued liability is \$8.5 million. Although the District set aside over \$6.3 million towards this liability in a Retiree Benefits fund as of June 30, 2017, 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 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, 2017. These schedules are included in response to GASB 68, an 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

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 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, 2017

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)

	2017	2016	Change 2016-2017
ASSETS			
Current Assets			
Cash and investments	\$ 129,363	\$ 71,049	\$ 58,314
Accounts receivable	10,575	8,251	2,324
Other current assets	1,172	907	265
Total Current Assets	<u>141,110</u>	<u>80,207</u>	<u>60,903</u>
Capital Assets (net)	<u>266,108</u>	<u>264,906</u>	<u>1,202</u>
Total Assets	<u>407,218</u>	<u>345,113</u>	<u>62,105</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	5,680	5,875	(195)
Deferred outflows of resources related to pensions	21,701	18,215	3,486
Total Assets and Deferred Outflows	<u>\$ 434,599</u>	<u>\$ 369,203</u>	<u>\$ 65,396</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued interest payable	\$ 23,425	\$ 22,418	\$ 1,007
Unearned revenue	7,558	5,258	2,300
Current portion of long-term obligations	4,968	7,361	(2,393)
Total Current Liabilities	<u>35,951</u>	<u>35,037</u>	<u>914</u>
Long-Term Obligations	<u>404,790</u>	<u>315,356</u>	<u>89,434</u>
Total Liabilities	<u>440,741</u>	<u>350,393</u>	<u>90,348</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	2,721	16,009	(13,288)
Total Liabilities and Deferred Outflows	<u>443,462</u>	<u>366,402</u>	<u>77,060</u>
NET POSITION			
Net investment in capital assets	53,401	61,116	(7,715)
Restricted	16,072	15,139	933
Unrestricted	(78,336)	(73,454)	(4,882)
Total Net Position	<u>(8,863)</u>	<u>2,801</u>	<u>(11,664)</u>
Total Liabilities, Net Position, and Deferred Inflows	<u>\$ 434,599</u>	<u>\$ 369,203</u>	<u>\$ 65,396</u>

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Current Assets

The District's Total Current Assets at June 30, 2017 were valued at \$141.1 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, 2017 were \$266.1 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, 2017 were valued at \$27.4 million and increase the net worth of the District.

Total Assets and Deferred Outflows

Total Assets and Deferred Outflows at June 30, 2017 of \$434.6 million reflected an **increase of \$65 million** from June 30, 2016. This increase can be analyzed as follows:

- \$58.3 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 an additional \$64.7 million cash on hand from the issuance of two General Obligation Bonds during the fiscal year, offset by a decrease of \$10.1 million of cash balance in the existing General Obligation Bond fund as the district continued to expend Bond Funds for approved projects. There was also an increase of \$2.9 million in reserves for STRS/PERS and Retiree Benefit liability.
- \$ 2.3 million **increase** in accounts receivable was attributable to higher accounts receivable balances for grant and categorical funding. The District had expenditures against 120 grant and categorical programs in 2016-17, and as the number of grants and categorical programs received by the District increases so do the accounts receivable balances at year end.
- \$ 0.3 million **increase** in other current assets (prepaid expenses) was attributable to an increase in the numbers of vendors requiring pre-payment of insurance premiums and software licensing costs attributable to the 2017-18 fiscal year. Several vendors required pre-payment by June 30, 2017 in order to guarantee uninterrupted service for the next fiscal year.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- \$ 1.2 million **increase** in capital assets was attributable to new construction and equipment which increased fixed assets by \$9.2 million, offset by depreciation expense for the fiscal year of \$8 million.
- \$ 0.2 million **decrease** in the outstanding value of deferred charges on refunding. This decrease is the result of no additional refunding of General Obligation Bonds done during this fiscal year and natural decrease of outstanding charges over time as payments are made on the refunding.
- \$3.5 million **increase** in deferred outflows because we have more retirees and based on the actuarial study the District will be required to pay out more annually to fund that liability. As of June 30, 2016, 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 \$21.7 million at June 30, 2017, an increase of \$3.5 million from the \$18.2 million reported at June 30, 2016, and consisted of entries for:
 - The District's pension contributions after the date of the latest available actuarial study, which is June 30, 2016.
 - 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, 2017 were \$36 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 \$404.8 million at June 30, 2017.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Total Liabilities and Deferred Inflows

Total Liabilities and Deferred Inflows at June 30, 2017 of \$443.4 million reflected an **increase of \$77 million** from June 30, 2016. This increase can be analyzed as follows:

- \$ 1 million **increase** in accounts payable and accrued interest payable due to a \$0.7 million **decrease** in accounts payable as compared to the previous year, partially offset by a \$1.7 million **increase** in the value of accrued interest payable (un-matured interest on General Obligation Bonds).
- \$ 2.3 million **increase** in unearned (deferred) revenue due to an increase of \$3.1 million of advances of grant funding received in 2016-17 attributable to the following fiscal year. This is offset by a decrease of \$0.8 million of deferred apportionment revenue due to an RDA shift in 2014-15 that was recognized this fiscal year.
- \$ 2.4 million **decrease** in long-term obligations other than pensions due to a lower amount due for the Refunding of the 2016 General Obligation Bond, payment in full of the 2006 Certificate of Participation and the refunding of the 2009 Certificate of Participation.
- \$ 89.4 million **increase** in the District's Long Term Obligations for STRS and PERS is due to a \$19.2 million increase for the Aggregate Net Pension Obligation, from \$74.3 million to \$93.5 million . STRS increased from \$43.3 million to \$52.0 million, an \$8.7 million increase and PERS increased from \$31.0 million to \$41.5 million, a \$10.5 million increase. There was also a \$70.2 increase in General Obligation Bond payments due to the issuance of a 2016 General Obligation Bond and a 2017 General Obligation Bond.
- \$ 13.3 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, 2017 was \$(8.9) 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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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

(Amounts in thousands)

	2017	2016	Change 2016-2017
Operating Revenues			
Tuition and fees, net	\$ 13,225	\$ 12,584	\$ 641
Total Operating Revenues	<u>13,225</u>	<u>12,584</u>	<u>641</u>
Operating Expenses			
Salaries and benefits	106,301	91,028	15,273
Supplies, maintenance, and other expenses	61,688	49,369	12,319
Depreciation	8,667	8,549	118
Total Operating Expenses	<u>176,656</u>	<u>148,946</u>	<u>27,710</u>
Operating Loss	<u>(163,431)</u>	<u>(136,362)</u>	<u>(27,069)</u>
Nonoperating Revenues			
State apportionments	58,478	58,768	(290)
Property taxes	24,421	19,136	5,285
Taxes levied for other specific purposes	10,459	10,241	218
Grants and contracts	52,840	46,389	6,451
State revenues	5,319	12,131	(6,812)
Net interest expense	(10,471)	(7,026)	(3,445)
Investment income	812	447	365
Other nonoperating revenues and transfers	9,104	4,245	4,859
Total Nonoperating Revenue	<u>150,962</u>	<u>144,331</u>	<u>6,631</u>
Other Revenues and (Losses)			
State and local capital income	848	686	162
Loss on disposal of capital assets	(43)	(15)	(28)
Total Other Revenues and (Losses)	<u>805</u>	<u>671</u>	<u>134</u>
Change in Net Position	<u>\$ (11,664)</u>	<u>\$ 8,640</u>	<u>\$ (20,304)</u>

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

(Amounts in thousands)

	2017	2016	Change 2016-2017
Cash From			
Operating activities	\$ (149,197)	\$ (121,868)	\$ (27,329)
Noncapital financing activities	150,026	140,509	9,517
Capital financing activities	56,744	(8,727)	65,471
Investing activities	741	377	364
Net Change in Cash	58,314	10,291	48,023
Cash, Beginning of Year	71,049	60,758	10,291
Cash, End of Year	<u>\$ 129,363</u>	<u>\$ 71,049</u>	<u>\$ 58,314</u>

**FUNCTIONAL EXPENSES CLASSIFICATION
For the Year Ended June 30, 2017**

The District's operating expenses by functional classification for the fiscal year ended June 30, 2017, 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	\$ 56,445	\$ 3,685	\$ 7,910	\$ 2,884	\$ 3,578	\$ 74,502
Academic support	4,187	298	278	459	289	5,511
Student services	11,875	803	1,184	226	780	14,868
Community services and economic development	4,558	401	2,058	13	389	7,419
Institutional support	14,743	1,798	7,231	2,468	1,745	27,985
Plant operations and maintenance	4,147	(7,589)	3,323	119	-	-
Ancillary services and auxiliary operations	8,777	604	1,144	62	586	11,173
Student aid	-	-	20,308	-	-	20,308
Physical property and related acquisitions	1,569	-	11,642	379	1,300	14,890
Total	<u>\$ 106,301</u>	<u>\$ -</u>	<u>\$ 55,078</u>	<u>\$ 6,610</u>	<u>\$ 8,667</u>	<u>\$ 176,656</u>

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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-two separate funds in 2016-17. 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.

<u>General Funds</u>		
	Unrestricted General Fund (Fund 11)	Restricted General Fund (Fund 12)
Revenue	103,726,976	32,500,119
Transfers In (from Other Funds)	790,684	749,231
Expenditures	(99,458,376)	(31,870,952)
Transfers Out (to Other Funds)	(4,435,867)	(1,454,339)
Subtotal	623,417	(75,941)
Fund Balance, Beginning of Year	10,008,748	2,515,381
Fund Balance, End of Year	10,632,165	2,439,440
<i>Fund Balance Percentage</i>	<i>10.23%</i>	

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **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.

<u>Debt Service Funds</u>		
	GO Bond Interest and Redemption Fund (Fund 21)	District Debt Service Fund (Fund 29)
Revenue	15,884,197	1,736
Transfers In (from Other Funds)	-	931,937
Expenditures	(11,594,584)	(2,551,787)
Transfers Out (to Other Funds)	-	-
Subtotal	4,289,613	(1,618,114)
Fund Balance, Beginning of Year	8,060,841	1,781,674
Fund Balance, End of Year	12,350,454	163,560

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **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.

<u>Special Revenue Funds</u>				
	Cafeteria Fund (Fund 32)	Child Development Center Fund (Fund 33)	Asset Management Fund (Fund 37)	Student Center Remodel Fund (Fund 39)
Revenue	77,257	1,110,488	194	201,719
Transfers In (from Other Funds)	-	150,000	-	-
Expenditures	(67,195)	(1,190,381)	-	-
Transfers Out (to Other Funds)	-	-	-	(185,415)
Subtotal	10,062	70,107	194	16,304
Fund Balance, Beginning of Year	33,431	140,796	17,631	570,155
Fund Balance, End of Year	43,493	210,903	17,825	586,459

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **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 2016-17, the District had three active GO Bond project funds; two under the Measure M voter authorization (one from the third issuance in September 2014 and one from the fourth issuance in November 2016), and one under Measure E voter authorization (first issuance in May 2017).
 - **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.

<u>Capital Projects Funds</u>			
	State Construction Fund (Fund 41)	Locally Funded Capital Projects Fund (Fund 43)	Scheduled Maintenance Fund (Fund 44)
Revenue	585,658	312,494	51
Transfers In (from Other Funds)	-	250,080	-
Expenditures	(6,881)	(1,188,419)	-
Transfers Out (to Other Funds)	-	-	-
Subtotal	578,777	(625,845)	51
Fund Balance, Beginning of Year	13,902	4,447,847	4,599
Fund Balance, End of Year	592,679	3,822,002	4,650

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

<u>Capital Projects Funds, Continued</u>				
	Measure M GO Bond Fund- Second Issuance (Fund 46)	Measure M GO Bond Fund - Third Issuance (Fund 47)	Measure E GO Bond Fund - First Issuance (Fund 48)	Replace Field Turf Fund (Fund 49)
Revenue	106,325	178,640	103,684	26,943
Transfers In (from Other Funds)	22,379,744	-	53,499,569	25,000
Expenditures	(7,606,565)	(10,110,504)	(3,749,690)	-
Transfers Out (to Other Funds)	-	-	-	-
Subtotal	14,879,504	(9,931,864)	49,853,563	51,943
Fund Balance, Beginning of Year	-	21,410,233	-	147,259
Fund Balance, End of Year	14,879,504	11,478,369	49,853,563	199,202

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

- **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.

<u>Enterprise Funds</u>			
	K-12 Arts Education Outreach (Fund 57)	Performing Arts Center Fund (Fund 58)	Employee Training Institute Fund (Fund 59)
Revenue	368,741	482,252	1,028,686
Transfers In (from Other Funds)	-	-	-
Expenditures	(350,556)	(433,990)	(1,003,932)
Transfers Out (to Other Funds)	-	(16,236)	-
Subtotal	18,185	32,026	24,754
Fund Balance, Beginning of Year	16,653	-	41,984
Fund Balance, End of Year	34,838	32,026	66,738

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

- **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.

<u>Internal Service Funds</u>		
	STRS/PERS Liability Fund (Fund 68)	Retiree Benefits Fund (Fund 69)
Revenue	54,048	49,066
Transfers In (from Other Funds)	1,100,241	1,969,692
Expenditures	-	(286,001)
Transfers Out (to Other Funds)	-	-
Subtotal	1,154,289	1,732,757
Fund Balance, Beginning of Year	4,907,303	4,600,812
Fund Balance, End of Year	6,061,592	6,333,569

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **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.

<u>Trust Funds</u>		
	Student Representation Fund (Fund 72)	Financial Aid Fund (Fund 74)
Revenue	50,316	19,836,571
Transfers In (from Other Funds)	-	126,792
Expenditures	(13,012)	(19,904,201)
Transfers Out (to Other Funds)	(1,800)	-
Subtotal	35,504	59,162
Fund Balance, Beginning of Year	245,898	77,041
Fund Balance, End of Year	281,402	136,203

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 2014-15

In 2014-15, 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:

- 2008-09 - \$75.1 million, Pre-Recession Level
- 2014-15 - \$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 2015-16

In 2015-16, 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.

Fiscal Year 2016-17

In 2016-17, the State provided 2% in Growth funding and 0% statutory COLA. Our District closed the year achieving 2.72% growth, and was fully funded for this "over-cap" growth because many other Districts were not growing.

The State was also able to provide \$75 million for a Base Increase to provide general relief from increasing costs, including STRS and PERS employer contributions. The State also provided \$76 million Statewide for a one-time Mandated Cost allocation to pay down outstanding claims.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Unrestricted General Fund Revenues by Major Category – 3 Year History

	2014-15	2015-16	2016-17
General Apportionment (Includes Access and COLA funding from Prior Year)	\$ 36,855,133	\$ 41,878,196	\$ 43,065,691
Education Protection Act	\$ 13,143,367	\$ 12,569,724	\$ 12,239,190
Access (To Restore Cuts) or Growth	\$ 2,889,400	\$ 3,030,078	\$ 2,871,455
COLA	\$ 614,381	\$ 774,957	\$ -
Property Taxes	\$ 14,354,637	\$ 18,573,893	\$ 23,814,445
Enrollment Fees	\$ 7,723,053	\$ 7,893,711	\$ 8,584,803
Lottery	\$ 2,249,260	\$ 2,308,018	\$ 2,504,240
One-Time Mandated Cost Reimb.	\$ 673,638	\$ 8,499,273	\$ 1,459,812
STRS On-Behalf Payments	\$ -	\$ 1,719,841	\$ 2,486,812
Other State Revenues	\$ 865,647	\$ 1,143,138	\$ 957,905
Federal Revenues	\$ 100,688	\$ 189,220	\$ 110,682
Rents and Leases	\$ 1,742,595	\$ 1,619,428	\$ 1,564,599
Non Resident/Out of State Tuition	\$ 1,145,256	\$ 1,487,316	\$ 1,736,549
Community Education Fees	\$ 182,912	\$ 171,301	\$ 135,304
All Other Local Income	\$ 1,995,083	\$ 1,952,649	\$ 2,195,488
Other Financing Sources	\$ 582,113	\$ 623,147	\$ 790,684
Total Revenue	85,117,163	\$ 104,433,890	\$ 104,517,659
	5% Increase	23% Increase	.08% Increase

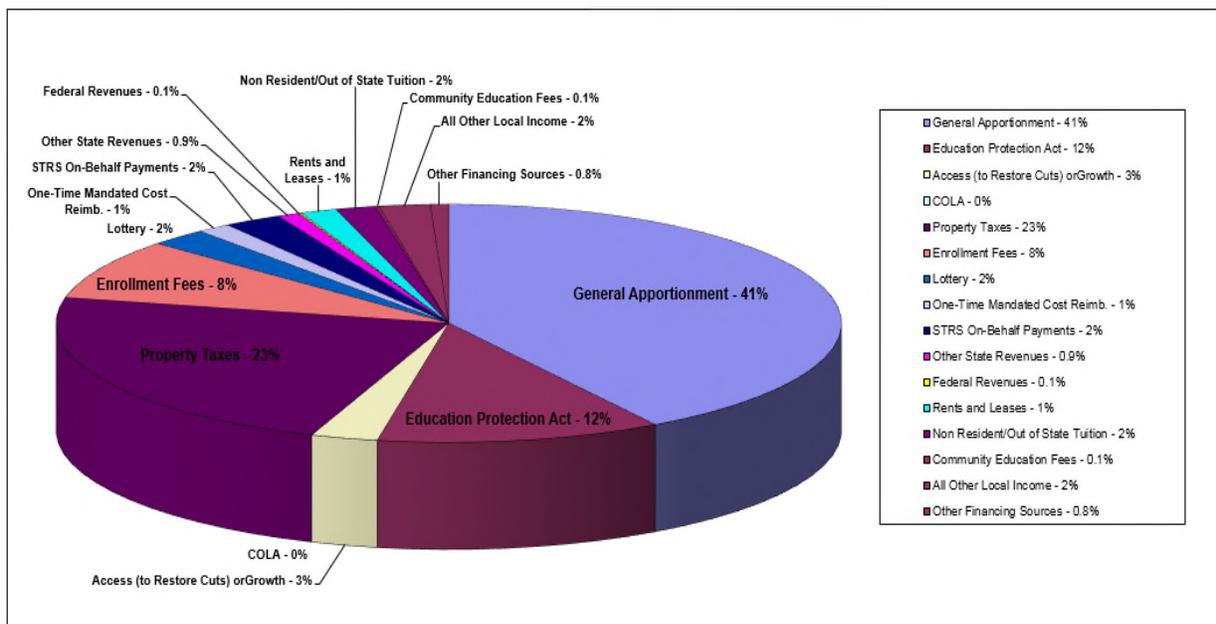
SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

The following chart provides a visual summary of the sources of revenue received by major category in 2016-17, and illustrates that State General Apportionment, Access/Growth funding, COLA, Property Taxes, and Student Enrollment Fees accounted for 75 percent of the District's Unrestricted General Fund Revenues. The Education Protection Act, which is temporary funding expiring in 2030, represents 12 percent of the District's Unrestricted General Fund Revenues. The remaining 13 percent includes the One-Time Mandate Cost Reimbursement allocation, Lottery Revenues, 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 – 2016-17



Unrestricted General Fund Revenues for 2016-17 as Compared to 2015-16

Revenues and other financing sources in the Unrestricted General Fund totaled \$104,517,659 in fiscal year 2016-17. **This is an increase of \$83,769 over the prior year's revenues** or a 0.08% increase. The reason for the small increase over prior year is due to the One-time Mandate funds of \$8.5 million received in 2015-16 that did not occur again in 2016-17. 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 \$5,855,025:**
 - **\$1,810,929 (Revenue Increase) – Base Increase**
 - The District received an on-going Base Apportionment increase of \$1.2 million from the Statewide General Operating Base allocation of \$75 million. As the State economy continued to rebound after the recession, the Proposition 98 Funding Formula provided

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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.

- There was an adjustment to the base of about \$646,890 due to higher growth claimed during the 2015-16 Recalc. An additional 143 FTES were claimed at that time.
- **\$2,224,564 (Revenue Increase) – Growth**
 - The District grew by 2.72% in 2016-17, receiving growth funding above our District's growth allocation and the 2% 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.
- **\$ 26,784 (Revenue Increase) – Full Time Faculty Allocation**
 - The District received an on-going Full Time Faculty Allocation of \$26,784 due to adjustments by the State.
- **\$ 1,792,748 (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 based on Recalc submitted during the previous November.
 - In 2016-17, these adjustments increased by \$1,167,507, mainly the result of 2015-16 Recalc adding 143 FTES, increasing 2015-16 apportionment along with additional prior year's apportionment adjustment due to Statewide Property Tax Adjustment.
 - There was an additional apportionment adjustment of \$625,241 from the recognition of prior year revenue due to an RDA Adjustment from 2014-15.
 - Prior year apportionment adjustments are one-time funding and do not increase the District's base revenue.
- **Unrestricted Lottery Revenues Increased by \$196,222:**
 - **\$ 196,222 (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 2016-17 due to additional FTES claimed and a small increase in the rate per FTES, providing additional lottery funding.
- **One-Time Mandated Cost Reimbursement Funding Decreased by \$7,039,461:**
 - **\$7,039,461 (Revenue Decrease) - Mandated Cost Reimbursement**
 - Over the past three State Budget cycles (2014-15, 2015-16, and 2016-17) the Governor has provided one-time funding to reimburse Mandated Cost Claims.
 - In 2016-17, the District's allocation was \$1,459,812, compared to \$8,499,273 in 2015-16.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- The Governor provides this one-time funding as a way to meet Proposition 98 funding requirements without committing to on-going funding.
- 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 Revenue and Payments Increased by \$766,971:**
 - **\$766,971 (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 2015-16, the Unrestricted General Fund has a new revenue and offsetting equal expense for the State's contribution to CalSTRS.
- **Other State Revenues Decreased by \$185,233:**
 - **\$ 213,052 (Revenue Decrease) – Prior Year One-Time Apportionment Allocation**
 - In February 2016 the State Chancellor's Office identified additional one-time funding from the 2014-15 fiscal year. No one-time funding was allocated in 2016-17.
 - The funding was allocated on an FTES basis as a prior year one-time apportionment adjustment.
 - **\$ 17,503 (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 2016-17 the District participated (for the fifth 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 2016-17 as compared to 2015-16, the District's allocation increased from \$426,356 to \$443,859, an increase of \$17,503.
 - **\$ 4,378 (Revenue Decrease) – 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 decreased in 2016-17 due to the decreased number of students served.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **\$ 14,694 (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. 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 Decreased by \$78,538:**
 - **\$ 77,368 (Revenue Decrease) – 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. In 2015-16 the audit concluded and the Federal Government had resumed making payments for this program resulting in a higher than normal amount received in 2015-16.
 - **\$ 1,538 (Revenue Decrease) – 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 2004-05 when the District began participating. The program is administered by the LA County Office of Education.
 - **\$ 1,573 (Revenue Decrease) – Veterans' Education**
 - The District Receives Federal Revenue for Veterans' Education and the allocation varies from year to year.
 - **\$ 1,941 (Revenue Increase) - Financial Aid Administrative Allowances**
 - The District receives allowances for administering financial aid, and these allowances increased by \$1,941 in 2016-17 as the number of students receiving financial aid increased.
- **Rents and Leases Revenue Decreased by \$54,829:**
 - **\$ 25,520 (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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **\$ 29,309 (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 \$249,233:**
 - **\$ 124,617 (Revenue Increase) - International Students**
 - International Students income increased as the International Services Program continued to expand recruiting efforts.
 - **\$ 124,616 (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 \$35,997:**
 - 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 Increased by \$242,839:**
 - The District's miscellaneous revenues increased from the previous year. This increase 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 increased from the previous year as more faculty and staff drew funds from Foundation resources.
 - Miscellaneous locally derived revenues such as refund processing fees increased slightly.
- **Other Financing Sources Increased by \$167,537:**
 - Other Financing Sources represent transfers from other District funds into the Unrestricted General Fund. This revenue source increased in 2016-17 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, 2017

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 2015-16 and 2016-17 as the State provided additional on-going and one-time funding.

Unrestricted General Fund Expenditures by Major Category - 3 Year History

	2014-15	2015-16	2016-17
Academic Salaries	\$ 34,344,584	\$ 37,233,324	\$ 38,949,718
Classified Salaries	\$ 21,585,853	\$ 22,512,933	\$ 25,224,070
Employee Benefits - Retirement	\$ 4,553,723	\$ 7,090,731	\$ 9,140,527
Employee Benefits - Other	\$ 4,081,141	\$ 4,266,955	\$ 4,599,768
Employee Benefits - Health and Welfare	\$ 5,717,292	\$ 5,834,207	\$ 6,566,121
Supplies and Materials	\$ 845,708	\$ 962,715	\$ 934,775
Consultants and Lecturers	\$ 3,625,351	\$ 4,305,253	\$ 4,825,998
Conference/Travel/Dues/Memberships	\$ 346,980	\$ 532,542	\$ 519,976
Property, Liability & Student Insurance	\$ 632,378	\$ 662,709	\$ 658,174
Utilities	\$ 2,155,205	\$ 2,189,571	\$ 2,212,848
Other Expenses	\$ 2,623,099	\$ 3,025,813	\$ 3,964,163
Capital Outlay	\$ 1,346,792	\$ 2,202,896	\$ 1,824,717
Debt Service	\$ 45,024	\$ 45,024	\$ 37,520
Transfers and Other	\$ 2,614,647	\$ 13,117,763	\$ 4,435,867
Total Expenses	\$ 84,517,777	\$ 103,982,436	\$ 103,894,242
	4% Increase	23% Increase	.08% Decrease

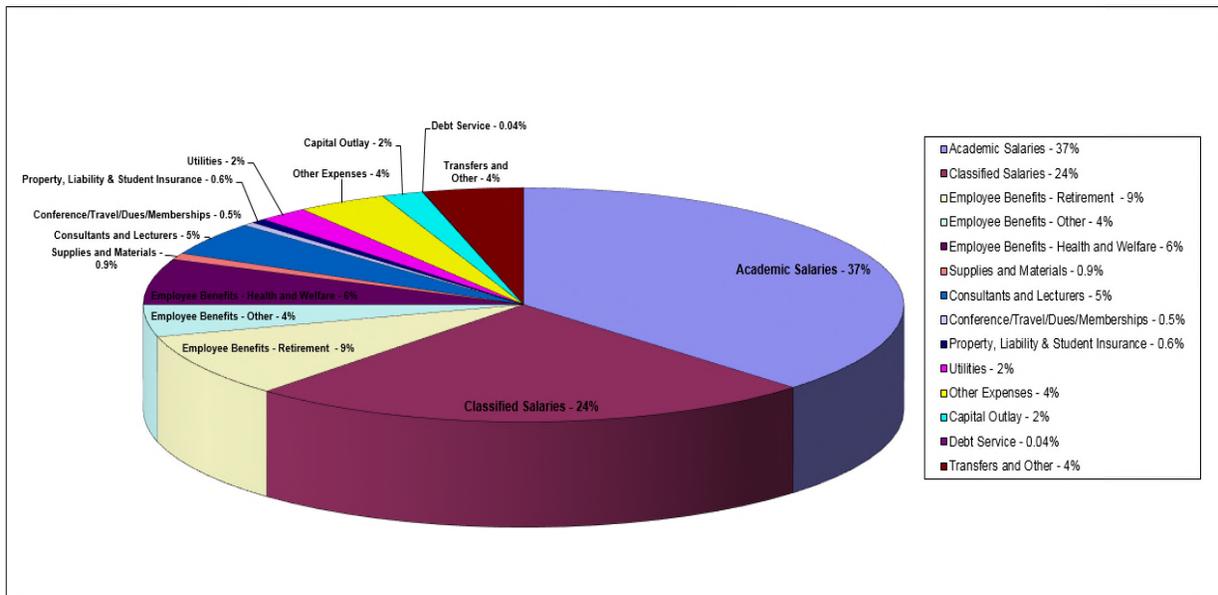
SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

The following chart provides a visual summary of the types of expenditures made in 2016-17, and shows that salaries and fringe benefits totaled more than 80 percent of all Unrestricted General Fund expenditures, which is average.

Unrestricted General Fund Expenditures by Major Category – 2016-17



Unrestricted General Fund Expenditures for 2016-17 as Compared to 2015-16

Expenditures and other financing uses in the Unrestricted General Fund totaled **\$103,894,242** in fiscal year 2016-17. This is a **decrease** of \$88,194 over the prior year's expenditures. The following factors make up the decrease in unrestricted expenditures:

- **Employee Salaries Increased by \$4,427,531:**
 - Employee salaries increased due to several factors:
 - **Full Time Faculty and Staff** expenses increased as the District added new permanent positions. Twenty-four new faculty positions were added in 2016-17, with the Unrestricted General Fund providing funding for the majority of the positions.
 - **Adjunct and Full Time Faculty Overload** expenses increased due to additional sections offered in 2016-17. The District increased offerings and grew enrollment by 2.72 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.
 - **Contractually obligated step and column increases** for faculty and staff, and **negotiated increases** for groups whose collective bargaining increases were confirmed before the 2016-17 books were closed also contributed to the increased expenses. Costs associated with 2016-17 negotiations not yet completed before the books were closed will be reflected in the 2017-18 fiscal year.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **Employee Fringe Benefits Increased by \$3,114,523:**
 - Employee fringe benefit costs increased due to several factors:
 - District contribution rates for STRS and PERS retirement plans increased.
 - Statutory increases to STRS rates were part of the 2014-15 State Budget Legislation, and impose increases to the District contribution rate through 2020-21.
 - PERS increases are determined by a Statewide board and are based on an actuarial study and interest rate projections.
 - Beginning in 2015-16, 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 \$1,437,331:**
 - **Supplies and Materials - \$27,940 (Expense Decrease)**

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

 - In 2015-16 the District received One-time Mandated Cost funding for purchases of instructional and non-instructional supplies, reference books, media materials, and electronic resources. Instructional and non-instructional supplies expenses decreased because the State did not provide ongoing funding.

 - **Consultants, Lecturers, and Instructional Contracts - \$520,745 (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.

 - **Conference/Travel/Dues/Memberships - \$12,566 (Expense Decrease)**

Conference, Field Trip, and Membership expenses decreased slightly 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 - \$4,535 (Expense Decrease)**

Insurance premiums decreased slightly for property and liability insurance coverage.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **Utilities - \$23,277 (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 - \$938,350 (Expense Increase)**
Other expenses increased as funding was allocated to various departments for one-time and ongoing expenses for items such as rents/leases, equipment maintenance, software licensing, postage, advertising, printing and other expenses.
- **Capital Outlay Decreased by \$378,179:**
 - Capital outlay expenses decreased as one-time Mandated Cost funding was not allocated in the current year. This decreased the funding available 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 Decreased by \$8,681,896:**
 - Interfund transfers are processed annually to move Unrestricted General Fund dollars to other designated funds for specific uses. Interfund transfers decreased in 2016-17 from 2015-16 because the district did not receive additional One-time Mandated Block Grant funding in 2016-17.
 - \$7.0 million decrease in One-Time Mandated Cost Reimbursement Funding that was received in 2015-16 and transferred to the STRS/PERS Liability Fund, Retiree Benefit Fund and the Capital Fund (Fund 43) which was part of the original plan for the allocation of the \$8.5 million in one-time Mandated Cost funding.
 - \$0.8 million less was transferred to the STRS/PERS Liability Fund and Capital Fund from unspent Unrestricted General Fund budgets in 2016-17 than was transferred in 2015-16. This unspent money came from salary savings, and unspent discretionary budgets.
 - \$0.8 million was transferred to the Debt Service Fund to close out the Del Valle Instructional Service Agreement debt payments in 2015-16 that was not needed in 2016-17.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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).

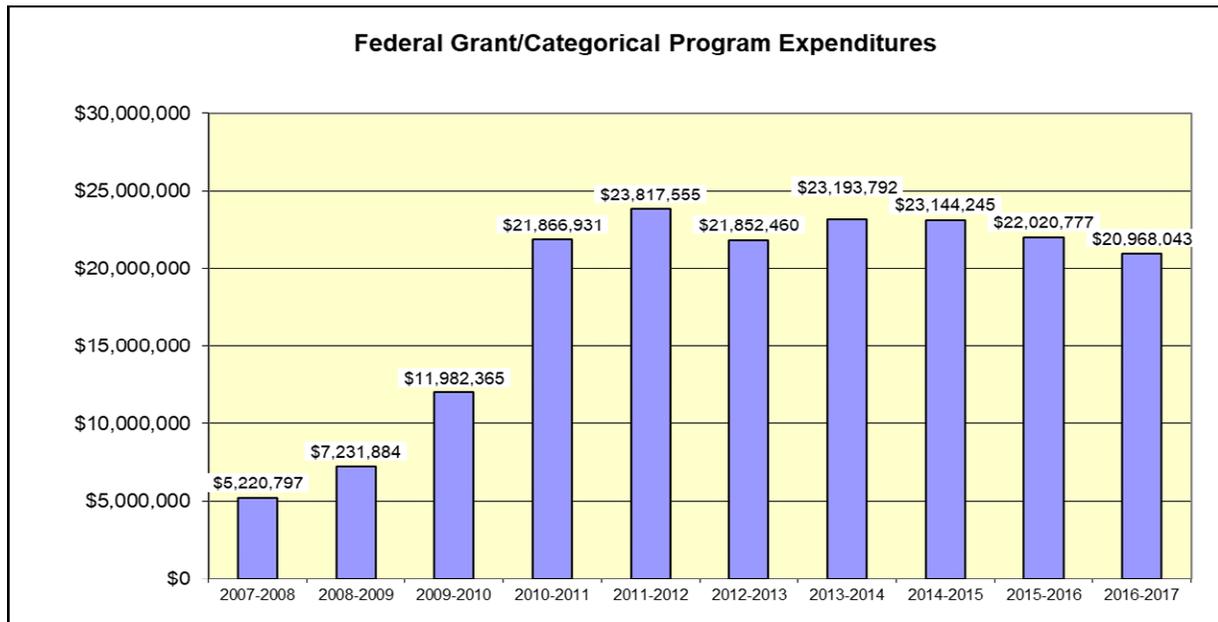
Federal Grant Program Expenditures

Federal funds provide substantial additional resources for the District and its students. Over the last ten years, Federal grant expenditures have increased 352 percent.

Federal grant program expenditures for fiscal year 2016-17 totaled \$20,968,043. Compared to Federal grant/categorical expenditures for fiscal year 2015-16, this represents a **decrease of \$1,052,734** (5 percent). This decrease is attributable to an \$894,482 decrease in student financial aid due to fewer Direct Student Loans and a \$158,252 decrease in Federal grant activity.

In 2016-17 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

JUNE 30, 2017

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 over 350 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 2009-10 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, 2014-15 was the first year that the State was able to restore funding back to 2009-10 levels after five years of reduced funding. The reductions in 2009-10 affected many key areas of the campus, including vocational instructional programs, the Child Care Center, Student Services programs, and Economic Development programs.

In 2013-14 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 2014-15 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 2014-15 to fund Districts' efforts to more effectively serve underserved student populations.

In 2015-16 restoration of Categorical Funding again increased overall with noteworthy increases in Adult Education (AB86/104), Career Pathways Trust, Career Tech Ed Grant (SB1070), Statewide Closed Captioning, Deputy Sector Navigators, Economic Development Coordinator Services, Full Time Student Success, Institutional Effectiveness and Technical Assistance, Student Equity and Student Success and Support

In 2016-17 State Grant/Categorical expenditures totaled \$28,785,367. Compared to State Grant/Categorical expenditures for fiscal year 2015-16, this represents an **increase of \$7,667,688** (36 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.
- **Basic Skills and Student Outcomes Transformation Grant** is a \$1.5 million grant to expand existing programs and implement new initiatives that improve student success. This 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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

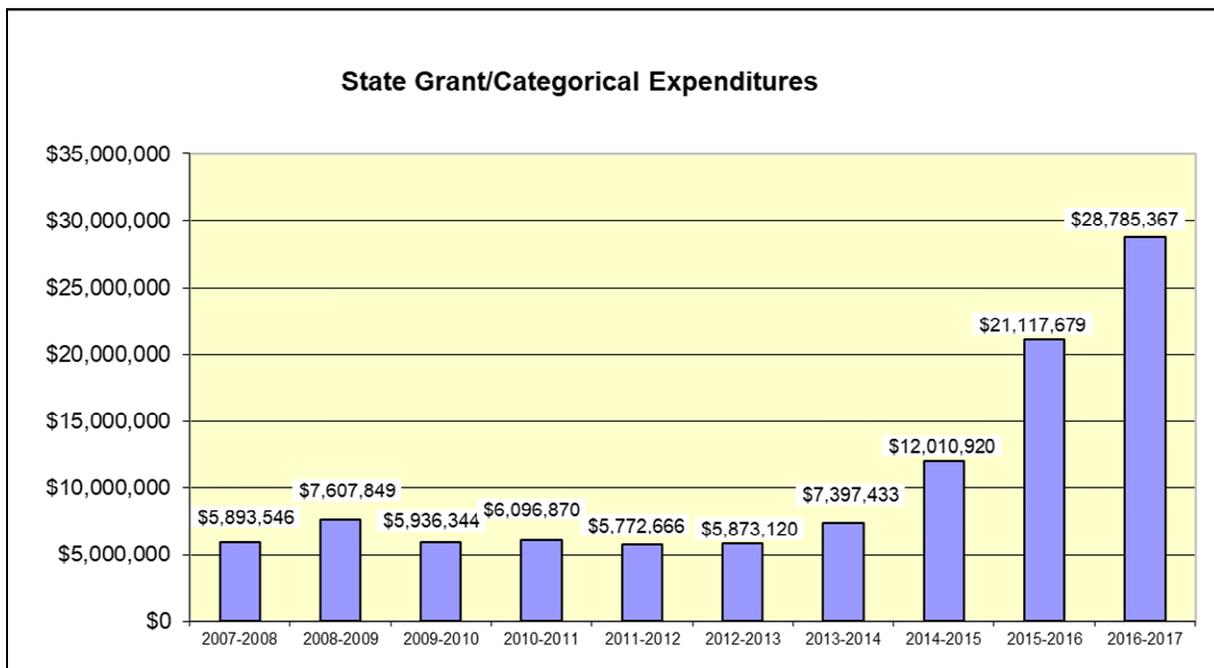
- **California College Promise** is a \$750,000 grant from the State Chancellor's Office, which provides a free year of college and extensive academic support services for up to 300 new full-time students enrolled for the 2017-18 academic year.
- **CA Department of Education - Career Pathways Trust** 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 21st 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.
- **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.
- **MakerSpace** grant provides 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 21st century careers.
- **Online Educational Resource** grants provides students with a more affordable college education by using 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 grants Zero Textbook Cost Degree Technical Assistance Provider, Zero Textbook Cost Degree Grant and Textbook Affordability AB798 helps 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.
- **Strong Workforce Local Share and Strong Workforce Regional Share** categorical funding increases the number of students enrolled in programs leading to high-demand, high wage jobs. The Strong Workforce programs are grouped into seven areas targeting student success, career pathways, workforce data and outcomes, curriculum, CTE faculty, regional coordination and funding.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **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

MANAGEMENT'S DISCUSSION AND ANALYSIS

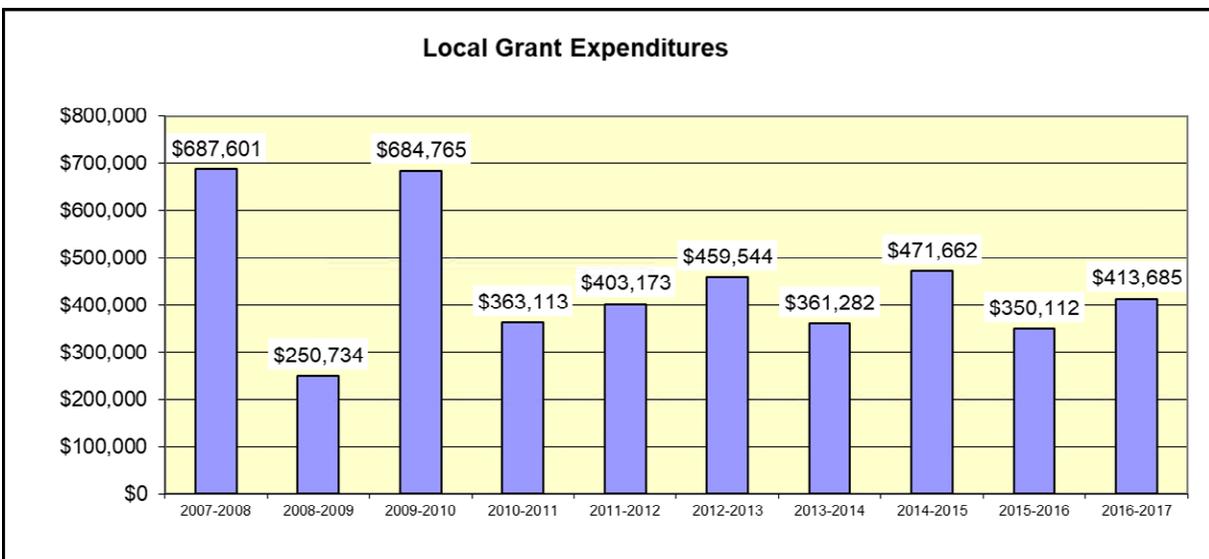
JUNE 30, 2017

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 2007-08, a large grant from the Bill and Melinda Gates Foundation for the Early College High School initiative was received in 2009-10, 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 2014-15.

In 2016-17, local grant expenditures totaled \$413,685, an 18 percent **increase** over 2015-16. Local grant dollars received in 2016-17 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Student Financial Aid Expenditures

In 2016-17, the District offered student financial aid in the form of PELL Grants, Cal Grants, Full Time Student Success Grants, and SEOG Grants totaling **\$16,895,655**. 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.

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 2010-11. 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 **\$2,970,029** in Direct Loans and earned **\$343,177** 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

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Federal Pell Grants *	\$ 14,120,205	\$ 15,673,434	\$ 16,001,751	\$ 15,348,499	\$ 14,849,480
Cal Grants *	\$ 650,488	\$ 845,849	\$ 1,093,088	\$ 1,186,252	\$ 1,303,573
Full Time Student Success Grants*	n/a	n/a	n/a	\$ 323,400	\$ 335,435
Federal SEOG Grants **	\$ 249,268	\$ 281,461	\$ 431,561	\$ 442,432	\$ 407,167
Subtotal-Grants	\$ 15,019,961	\$ 16,800,744	\$ 17,526,400	\$ 17,300,583	\$ 16,895,655
Direct Student Loans***	\$ 4,927,749	\$ 4,900,680	\$ 4,151,266	\$ 3,367,299	\$ 2,970,029
Federal Work Study Wages **	\$ 216,805	\$ 227,614	\$ 268,033	\$ 308,090	\$ 343,177
Total-Grants and Work Study	\$ 20,164,515	\$ 21,929,038	\$ 21,945,699	\$ 20,975,972	\$ 20,208,861

* 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, 2017

Capital Outlay Expenditures

The District continued to plan, construct, and upgrade facilities in fiscal year 2016-17, through a combination of the funding sources highlighted below:

- **State Funding for Capital Projects**

- The District expended **\$6,881 in Prop 39 and Scheduled Maintenance Funding** in 2016-17.
 - LED Lighting Upgrade

- **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.
- **During the 2016-17 fiscal year, Measure M proceeds in the amount of \$10,110,504 were expended on approved projects and expenditures.**
- **As of June 30, 2017, \$148,535,847 of Measure M funds have been expended and the following projects have been 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
 - ✓ First Floor Bonelli Hall
 - ✓ Second Floor Bonelli Hall
 - ✓ Third Floor Bonelli Hall
 - ✓ First Floor Seco Hall
 - ✓ Student Support Center

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- 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
 - Canyon Country Campus Parking Lot Improvement
 - Soccer Field Renovations/Improvements
 - Bonelli Hall Secondary Effects Renovation
 - Updated Educational and Facilities Master Plan
- **Measure M funding will continue to fund the following projects in progress:**
 - Canyon Country Campus Science Building and Classroom Structure
 - Canyon Country Campus Central Plant
 - ADA Doors and Hardware
 - Repairs and Modernization
 - Site Upgrades
 - Technology/Technology Infrastructure
- **Measure E Funding for Capital Projects**

Measure E General Obligation Bonds were authorized in an election held on June 7, 2016. The election approved the issuance of \$230 million of general obligation bonds. Measure E passed with 58.46 percent voter approval. Measure E funds were approved to for addition and renovation of facilities at the Valencia and Canyon Country Campus.

- The first issuance of Measure E bonds occurred in May 2017 in the amount of \$50 million.
- **Measure E will fund the following projects in progress:**
 - Valencia Campus Parking Structure
 - Canyon Country Campus Science Building and Classroom Structure
 - Canyon Country Campus Signage Phase II
 - Canyon Country Campus Student Services and Learning Resource Center

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **Local Funding for Capital Projects**

- The District uses local funding to supplement State, Measure M and Measure E 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, Measure M and Measure E 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.
- **In 2016-17, local funding totaling \$1,188,419 was expended on projects such as:**
 - Child Development Center Building Improvements
 - Telephone System Upgrade
 - New Marquees at Valencia and Canyon Country Campuses
 - Soccer Field Renovation
 - Scheduled Maintenance projects
 - Equipment for Various Instructional and Non-Instructional Departments:
 - ✓ Academic Administration
 - ✓ Art
 - ✓ Campus Safety
 - ✓ Campus wide Computer Replacement
 - ✓ Computer Support Services
 - ✓ Emergency Preparedness
 - ✓ Geography
 - ✓ Geology
 - ✓ Maker Space
 - ✓ Media Entertainment Arts
 - ✓ Media/Audio Visual
 - ✓ Nursing
 - ✓ Performing Arts Center
 - ✓ Photography
 - ✓ Physical Education
 - ✓ Physics
 - ✓ Welding
 - ✓ Workplace Safety

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

FUND BALANCE AND FUND BALANCE CLASSIFICATIONS

UNRESTRICTED GENERAL FUND ENDING FUND BALANCE

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Reserved/Assigned	\$ 854,115	\$ 783,208	\$ 277,702	\$ 1,120,816	\$ 1,237,961
Unassigned	8,074,025	8,174,699	9,279,591	8,887,932	9,394,204
Ending Fund Balance	\$ 8,928,140	\$ 8,957,907	\$ 9,557,293	\$ 10,008,748	\$ 10,632,165
Percentage of Unrestricted Expenses	11.77%	11.02%	11.31%	9.63%	10.23%

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 10.79 percent.**
- The ending fund balance for the Unrestricted General Fund as of June 30, 2017, was \$10,632,165, which was 10.23 percent of Unrestricted General Fund expenditures.
 - The District **avoided deficit spending in 2016-17** and did not spend down reserves.
- The 2016-17 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, 2017.
 - The reserved portion of the ending fund balance was \$1,237,961 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 \$1,073,573. The District pre-paid software licenses, insurance premiums, and memberships in the last few months of the 2016-17 fiscal year in order to comply with vendors' payment deadlines and to ensure uninterrupted service. These expenses will be deducted from 2017-18 budget funds.
 - Health and Welfare Pool Balances totaling \$60,388 for COCFA, CSEA, and Confidential employee groups. These estimated pool balances at June 30, 2017, 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, 2017

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:

Accreditation Approved

The college received approval of its mid-term accreditation, plus a two-year extension on submitting its next self-study report, which reflects the Accrediting Commission's confidence in the college's operations, outcomes, leadership, and governance.

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.

In May 2017 the college received its first issuance of Bonds from Measure E totaling \$50 million.

Improving Student Success

College faculty have led the way in implementing curriculum changes to math and English courses, along with placement exams, that resulted in a 76 percent increase in graduates between 2011 and 2017.

In both the Math and English departments, faculty combined two lower-level courses into one condensed class, which saves students time, plus the cost of textbooks and enrollment fees.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Instead of using a standardized test to place newly enrolled students into math courses, the placement process takes into account high school grades. **Now, 70 percent of incoming students start in transfer-level math, versus 15 percent under the previous rules.**

Under-represented students have experienced substantial benefits from these changes.

- African-Americans graduates increased **132%**
- Asian graduates increased **113%**
- Latino graduates increased **193%**

Assuming these changes reduce the average student course load by 1.60 classes in math, each cohort of newly enrolled students will save:

- \$1,035,000 in tuition
- 365,000 hours of class time
- \$3,650,000 in wages (working at minimum wage)

The Power of a Promise

With a \$750,000 grant from the State Chancellor's Office, COC launched First-Year Promise, which provides a free year of college and extensive academic support services for up to 300 new full-time students enrolled for the 2017-18 academic year.

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.

A Tradition of Service

More than 40 Cougars said goodbye to College of the Canyons, as a wave of long-time employees retired this year, including Biology Professor Don Takeda who announced he was leaving the classroom after 45 years of teaching. A special Retiree Celebration Dinner was held to honor COC retirees. Each retiree received special recognition for their contributions to the continued success of COC.

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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

We've Got It Made

The State Chancellor's Office selected College of the Canyons as one of 24 community colleges Statewide to join the Maker Initiative. The program includes a renewable \$311,432 grant that will expand offerings at the MakerSpaces on both campuses. Open to the community, the MakerSpaces provide technology, manufacturing equipment, and instruction to help users design, prototype, and build manufactured items. 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.

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.

A Textbook Approach to Savings

The college hosted an OER Summit to promote collaboration of educational resources among 28 California higher education institutions. OERs, or Open Educational Resources, are teaching and learning materials released in the public domain or under an intellectual property license as a no-cost alternative to commercial textbooks. The summit drew administrators, faculty, staff and students from throughout California.

Scholarly Presentations Run Hot & Cold

Geography Department Chair Mary Bates presented the fall 2016 Scholarly Presentation "Ice Age California," which highlighted how the Ice Age modified California's coastline, created lakes within deserts, reshaped mountains, and provided an environment for several now-extinct large mammals.

Anthropology professor Dr. Laurie Solis delivered the spring 2017 Scholarly Presentation "Tataviam: People Who Face the Sun," based on her published book of the same title. The Tataviam were a Native American group living in the northern San Fernando, Santa Clarita, and southern Antelope valleys.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 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

Flying Higher – NASA High Altitude Student Platform (HASP) Project

For the second year running, NASA selected a team of COC students for the High-Altitude Student Platform program, where the team designed and built an experiment to collect cosmic dust particles in the upper stratosphere launched aboard a high-altitude science balloon. COC was one of only two community colleges nationwide that participated in the program in 2016-17 and it is one of just five community colleges ever chosen to participate in the program's 11-year history.

Four Stars

Four career education programs were named Workforce Stars by the State Chancellor's Office: Emergency Medical Technician, Administration of Justice, Fire Technology and Water Technology. The new annual commendation is awarded to workforce training programs that help students enter careers that match their field of study, or increase their pay. Of the State's 114 community colleges, only 65 made the list, which included more than 100 career education programs. The Strong Workforce Stars rankings are based on data from students who were enrolled in career education programs in the 2013-14 academic year. Career education programs were designated as Strong Workforce Stars if they met one or more of the following criteria:

- 70% or more of students attain a regional living wage
- 50% or more increase in student earnings
- 90% or more of students report their current job is close to their field of study

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

All Grown Up

The college's Center for Early Childhood Education celebrated its 35th anniversary of caring for young children and preparing students for careers in the field. The center's programs include an on campus Laboratory Toddler and Preschool providing two important services:

- Opportunity for classroom and laboratory study of preschool children by COC students fulfilling course requirements
- Developmentally appropriate environment for children 12 months of age by the first day of the fall semester and have not yet entered Kindergarten

Learn & Earn

In partnership with AMS Fulfillment, the college launched California's first apprenticeship program to train students in logistics, a fast-growing industry in the region. The Canyons Apprenticeship Program (CAP) gives 13 select students the opportunity to earn money while they learn. The partnership requires apprentices to be full-time employees who will take COC coursework related to their jobs.

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 competed with 200 students from 14 colleges at the Long Beach Intercollegiate Model UN Conference, with 16 COC delegates receiving awards. 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. Students find the coursework and competition personally and academically challenging, and the team participation as very rewarding.

COMMUNITY PARTNERSHIPS

Caring About Cancer

In partnership with Henry Mayo Newhall Hospital, the college Envisioned, organized, and hosted the community's first Cancer Awareness and Resource Expo, giving attendees an opportunity to learn from renowned cancer doctors and researchers. The goal of CARE SCV expo is to provide people with the information they need to prevent, treat and survive cancer, and to let them know about the cancer resources available in SCV.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

USC Partnership Serves Veterans

A collaboration with the University of Southern California provides personal counseling services to students by expanding services to local veterans. A second-year graduate student working toward a master in social work degree at USC counsels students at the Veterans Resource Center and Student Health & Wellness Center. The center currently serves over 1,000 veterans and their families. The focus is on helping with needed mental and physical services, jobs and housing.

Conference Highlights Human Trafficking

The college organized and hosted "It Happens Right Here," a new conference on human trafficking to call attention to an issue that many people assumed was not a problem in Santa Clarita.

Getting a Handle on Science

Science faculty provided hands-on training in Next Generation Science Standards for a third consecutive year to teachers from the Castaic, Saugus, Newhall, and Sulphur Springs districts, equipping them with ideas to bring creative science learning experiences to their classrooms.

Building Interest in Manufacturing

Manufacturing Day brought 300 junior high and high school students to the Valencia Campus, where they toured the college's fabrication lab and MakerSpace, and learned about careers in modern manufacturing and advanced technologies.

College Aids in Fighting Wildfires

Public safety agencies used the Valencia Campus as a staging area while fighting the 2,000-acre Sage Fire and the 38,000-acre Sand Fire in July 2016, utilizing Parking Lot 7 for parking equipment, Pico Canyon Hall for meetings, and the West and East PE gyms for sleeping.

Lending a Hand Around the World

Six students spent eight days in Nicaragua for the 2016 Global Collaboration Project, in which hundreds of books, school supplies, and instructional aides were donated to four elementary schools in the city of Granada.

Partnership Prompts Dialog on Domestic Violence

College of the Canyons and Signal Multimedia presented the inaugural Domestic Violence Summit in Santa Clarita, which drew more than 150 participants to hear featured speakers, participate in breakout sessions and engage in other activities.

Backpacks illustrate impact of suicide

"Send Silence Packing," a visual display of 1,100 backpacks representing the number of college students lost to suicide every year, was displayed in the Honor Grove. Created by Active Minds, the national traveling exhibition encourages students to speak openly about mental health.

Exhibition provides powerful reminder

In honor of Veteran's Day, the Civic Engagement Club created a powerful visual display of military uniforms, boots, helmets, flags and religious symbols at the Canyon Country Campus to raise awareness of the fact that 22 veterans commit suicide in the U.S. every day.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Students learn firsthand about politics

U.S. Rep. Steve Knight participated in a student forum hosted by the Political Science Department. Moderated by professors David Andrus and Phil Gussin, the forum touched on issues such as the current political climate, immigration reform, health care, bilingual education, and veteran affairs.

AWARDS

Athletics Department
Supremacy Award
Western State Conference

Cooperative Work Experience Education
Outstanding College Work Experience and Internship Program
California Internship and Work Experience Association

Small Business Development Center
Top Performing SBDC - Los Angeles Region

Santa Clarita Environmental Education Consortium
Outstanding Service in Environmental Education
North American Association of Environmental Education

FastTrack CNC Operator Program
Outstanding Achievement Award
South Bay Workforce Investment Board

Ms. Lori Young, Paralegal Professor
Child Advocacy Award
Court Appointed Special Advocates (CASA)

Mr. Daniel Otto, Culinary Arts Professor
Best Chef in Santa Clarita
Elite Magazine

Dr. Dianne G. Van Hook, Chancellor
Court of the Lord Chamberlain
Santa Clarita Shakespeare Festival

National Pacesetter of the Year
National Council for Marketing and Public Relations

James Meske
Outstanding Soloist
Next Generation Jazz Festival

Sabrina Ariss, Tanya Hauer and Natalie Miller
All California Academic Team
Phi Theta Kappa Society

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Model United Nations
Outstanding Large Delegation
Los Angeles Model U.N. Conference

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

SUMMARY

This Annual Financial Report for the Period Ending June 30, 2017, 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 2016-17, the District again received unmodified opinions on the Financial Statements and Federal Awards, which is the best opinion an auditor can issue. There was an audit finding for State Awards; however, the District has quickly corrected the finding and is now in compliance. 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 in the future with the Accrediting Commission and Bond Rating Agencies.

In the past 16 years, the District has only had 11 audit findings in 72 audits (District, General Obligation 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 fiscal outcomes.

In 2016-17, the District provided oversight for the expenditure of \$197.5 million for all funds, including \$104 million in Operating Funds and \$53.2 million in highly regulated Federal and State Financial Aid, State Competitive Grants and State Categorical Program funds. The expenditures in Capital Outlay funds of \$22.7 million were approximately over three times of the prior 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 \$1.5 million in one-time funding in 2016-17, the District purchased instructional equipment with the latest technology to support new and existing programs. To address the legislatively mandated increases to District contribution rates for STRS and the actuarially estimated increases to PERS Pension Plans, the District continues to strategically set aside some of the one-time savings 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 planning to transfer to four year colleges seeking jobs in the current economy. This results in growth funding that allows the District to hire faculty and support new and existing 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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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" Regional Board. Funding 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 Administration has worked collaboratively with the Academic Senate and other Community College 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 that provide funding for new initiatives. After three years, College of the Canyons has been recognized for moving the initiative forward quickly and successfully with accolades from the 74 Community College Districts that have benefited from Partnership Resource Team (PRT) visits.

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 29 years, with key Vice President positions occupied by the same individuals for 15 to 20 years and four of the five Board members with 15 to 30 years of experience serving the district with two previously serving as president of the COC Foundation. Dr. Van Hook 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 collaborative 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, 2017

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, 2017**

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 483,184
Cash and cash equivalents - restricted	16,207
Investments - unrestricted	29,782,053
Investments - restricted	99,081,402
Accounts receivable	10,425,453
Student loans receivable	44,029
Due from fiduciary funds	105,645
Prepaid expenses	1,172,497
Total Current Assets	<u>141,110,470</u>

NONCURRENT ASSETS

Nondepreciable capital assets	18,378,005
Depreciable capital assets, net of accumulated depreciation	247,729,546
Total Noncurrent Assets	<u>266,107,551</u>
TOTAL ASSETS	<u>407,218,021</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	5,680,155
Deferred outflows of resources related to pensions	21,700,784
Total Deferred Outflows of Resources	<u>27,380,939</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	19,339,407
Accrued interest payable	4,085,602
Unearned revenue	7,558,490
Current portion of long-term obligations other than pensions	4,967,541
Total Current Liabilities	<u>35,951,040</u>

NONCURRENT LIABILITIES

Noncurrent portion of long-term obligations other than pensions	311,294,605
Aggregate net pension obligation	93,495,171
Total Noncurrent Liabilities	<u>404,789,776</u>
TOTAL LIABILITIES	<u>440,740,816</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	2,721,045
---	-----------

NET POSITION

Net investment in capital assets	53,400,561
Restricted for:	
Debt service	8,428,412
Capital projects	4,618,532
Educational programs	2,439,439
Other activities	586,459
Unrestricted	(78,336,304)
TOTAL NET POSITION	<u>\$ (8,862,901)</u>

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, 2017

OPERATING REVENUES

Student Tuition and Fees	\$ 22,328,326
Less: Scholarship discounts and allowances	(9,103,327)
Net tuition and fees	<u>13,224,999</u>

TOTAL OPERATING REVENUES

13,224,999

OPERATING EXPENSES

Salaries	79,341,299
Employee benefits	26,959,507
Supplies, materials, and other operating expenses and services	35,174,141
Student financial aid	19,904,201
Equipment, maintenance, and repairs	6,609,971
Depreciation	<u>8,667,257</u>

TOTAL OPERATING EXPENSES

176,656,376

OPERATING LOSS

(163,431,377)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	58,478,250
Local property taxes, levied for general purposes	24,420,946
Taxes levied for other specific purposes	10,458,881
Federal grants and contracts, noncapital	20,968,043
State grants and contracts, noncapital	31,871,793
State taxes and other revenues	5,318,926
Investment income	740,452
Interest expense on capital related debt	(10,470,648)
Interest income on capital asset-related debt	71,792
Transfer in from fiduciary fund	1,800
Transfer out to fiduciary fund	(1,969,692)
Other nonoperating revenues	<u>11,072,261</u>

TOTAL NONOPERATING REVENUES (EXPENSES)

150,962,804

INCOME BEFORE OTHER REVENUES AND (LOSSES)

(12,468,573)

OTHER REVENUES AND (LOSSES)

State revenues, capital	579,422
Local revenues, capital	268,940
Loss on disposal of capital assets	<u>(43,316)</u>

TOTAL OTHER REVENUES AND (LOSSES)

805,046

CHANGE IN NET POSITION

(11,663,527)

NET POSITION, BEGINNING OF YEAR

2,800,626

NET POSITION, END OF YEAR

\$ (8,862,901)

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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 13,336,690
Payments to or on behalf of employees	(99,739,468)
Payments to vendors for supplies and services	(42,890,030)
Payments to students for scholarships and grants	(19,904,201)
Net Cash Flows From Operating Activities	<u>(149,197,009)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	58,112,195
Property taxes - nondebt related	24,420,946
Grants and contracts	52,848,878
State taxes and other revenue	5,318,926
Other nonoperating	9,325,404
Net Cash Flows From Noncapital Financing Activities	<u>150,026,349</u>

**CASH FLOWS FROM CAPITAL
AND RELATED FINANCING ACTIVITIES**

State apportionments, capital projects	579,422
Local revenue, capital projects	268,940
Proceeds from capital debt	87,007,299
Acquisition and construction of capital assets	(10,238,806)
Property taxes - related to capital debt	10,458,881
Principal paid on capital debt and leases	(22,810,855)
Interest received on capital debt	71,792
Interest paid on capital debt and leases	(8,592,678)
Net Cash Flows From Capital and Related Financing Activities	<u>56,743,995</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>740,452</u>
-------------------	----------------

NET CHANGE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

CASH AND CASH EQUIVALENTS, END OF YEAR

58,313,787
<u>71,049,059</u>
<u>\$ 129,362,846</u>

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, 2017**

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

Operating Loss	<u>\$ (163,431,377)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	8,667,257
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(10,634)
Prepaid expenses	(265,471)
Accounts payable	(349,750)
Unearned revenue	122,324
Deferred outflows of resources related to pensions	(3,485,719)
Deferred inflows of resources related to pensions	(13,287,540)
Aggregate net pension obligation	19,162,227
Net OPEB obligation	600,887
Compensated absences and Early Retirement	3,080,787
Total Adjustments	<u>14,234,368</u>
Net Cash Flows From Operating Activities	<u><u>\$ (149,197,009)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 499,391
Cash with county treasury	<u>128,863,455</u>
Total Cash and Cash Equivalents	<u><u>\$ 129,362,846</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 2,782,428</u></u>
---------------------------------	----------------------------

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

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2017

	<u>Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,427,465
Investments	6,995,757
Accounts receivable	26,737
Prepaid expenses	34,412
Total Assets	<u>8,484,371</u>
LIABILITIES	
Accounts payable	4,890
Due to primary government	105,645
Unearned revenue	107,340
Due to student groups	609,664
Total Liabilities	<u>827,539</u>
NET POSITION	
Unrestricted	7,656,832
Total Net Position	<u>\$ 7,656,832</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, 2017

	<u>Trust Funds</u>
ADDITIONS	
Local revenues	\$ 772,150
DEDUCTIONS	
Employee benefits	286,001
Services and operating expenditures	610,890
Total Deductions	<u>896,891</u>
OTHER FINANCING SOURCES (USES)	
Transfers from primary government	1,969,692
Transfers to primary government	(1,800)
Total Other Financing Sources (Uses)	<u>1,967,892</u>
Change in Net Position	1,843,151
Net Position - Beginning of Year	<u>5,813,681</u>
Net Position - End of Year	<u><u>\$ 7,656,832</u></u>

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

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, is as follows:

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Condensed Statement of Net Position

ASSETS

Investments	\$ 163,123
Accounts receivable	437
Total Assets	<u><u>\$ 163,560</u></u>

NET POSITION

Restricted for:	
Debt service	<u><u>\$ 163,560</u></u>

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

NONOPERATING REVENUES (EXPENSES)

Principal expense on capital related debt	\$ (1,125,000)
Interest expense on capital related debt	(929,993)
Investment income	1,736
Other nonoperating expenses	<u>(496,794)</u>
TOTAL NONOPERATING EXPENSES	<u>(2,550,051)</u>

LOSS BEFORE TRANSFERS

Transfers in	<u>931,937</u>
--------------	----------------

CHANGE IN NET POSITION

(1,618,114)

NET POSITION, BEGINNING OF YEAR

1,781,674

NET POSITION, END OF YEAR

\$ 163,560

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. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. 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, 2017

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 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

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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Investments

Investments held at June 30, 2017, 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.

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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017

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, 2017

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 \$16,072,842 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, 2017

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 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 District has implemented the provisions of this Statement as of June 30, 2017.

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.

The District has implemented the provisions of this Statement as of June 30, 2017.

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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017, 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.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

New Accounting Pronouncements

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 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.

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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. 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, 2017

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:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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, 2017

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, consist of the following:

Primary government	\$ 129,362,846
Fiduciary funds	8,423,222
Total Deposits and Investments	<u>\$ 137,786,068</u>

Cash on hand and in banks	\$ 1,427,465
Cash in revolving	105,000
Cash collections awaiting deposit	394,391
Investments	135,859,212
Total Deposits and Investments	<u>\$ 137,786,068</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	\$ 134,755,595	672
Certificate of Deposit - Bank of America	296,639	3/7/2018
Total	<u>\$ 135,052,234</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, 2017.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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, 2017

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Los Angeles County Investment Pool	\$ 134,755,595	\$ -	\$ 134,755,595
Certificate of Deposit - Bank of America	296,639	296,639	-
Total	\$ 135,052,234	\$ 296,639	\$ 134,755,595

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

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	Primary Government
Federal Government	
Categorical aid	\$ 1,597,028
State Government	
Categorical aid	6,123,143
Lottery	694,630
Other State	1,061,868
Local Sources	
Interest	433,951
Foundation	126,559
Other local	388,274
Total	\$ 10,425,453
Student receivables	\$ 44,029
	Fiduciary Funds
Other local	\$ 26,737

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 14,309,904	\$ -	\$ -	\$ 14,309,904
Construction in progress	1,908,252	7,599,262	5,439,413	4,068,101
Total Capital Assets Not Being Depreciated	<u>16,218,156</u>	<u>7,599,262</u>	<u>5,439,413</u>	<u>18,378,005</u>
Capital Assets Being Depreciated				
Site improvements	17,614,397	4,791,078	-	22,405,475
Buildings and improvements	286,692,934	648,335	-	287,341,269
Equipment	17,731,815	2,312,513	715,943	19,328,385
Total Capital Assets Being Depreciated	<u>322,039,146</u>	<u>7,751,926</u>	<u>715,943</u>	<u>329,075,129</u>
Total Capital Assets	<u>338,257,302</u>	<u>15,351,188</u>	<u>6,155,356</u>	<u>347,453,134</u>
Less Accumulated Depreciation				
Site improvements	10,529,973	858,323	-	11,388,296
Buildings and improvements	51,555,123	6,540,872	-	58,095,995
Equipment	11,265,857	1,268,062	672,627	11,861,292
Total Accumulated Depreciation	<u>73,350,953</u>	<u>8,667,257</u>	<u>672,627</u>	<u>81,345,583</u>
Net Capital Assets	<u>\$ 264,906,349</u>	<u>\$ 6,683,931</u>	<u>\$ 5,482,729</u>	<u>\$ 266,107,551</u>

Depreciation expense for the year was \$8,667,257.

Interest expense on capital related debt for the year ended June 30, 2017, was \$10,484,482. Of this amount, \$13,834 was capitalized.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 7 - PREPAID EXPENSES

Prepaid expenses at June 30, 2017, consisted of the following:

	<u>Primary Government</u>
IT system database maintenance	\$ 476,883
Student insurance	164,722
Other	530,892
Total	<u>\$ 1,172,497</u>
	<u>Fiduciary Funds</u>
Other	<u>\$ 34,412</u>

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	<u>Primary Government</u>
Accrued payroll and benefits	\$ 10,103,975
Apportionment	2,150,363
Instructional service agreements	955,214
Construction	908,647
Student financial aid liabilities	940,090
State categorical	4,616
Other liabilities	4,276,502
Total	<u>\$ 19,339,407</u>
	<u>Fiduciary Funds</u>
Other liabilities	<u>\$ 4,890</u>

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	<u>Primary Government</u>
Federal categorical	\$ 63,147
State categorical	5,382,289
Student tuition and fees	1,369,525
Other local	<u>743,529</u>
Total	<u><u>\$ 7,558,490</u></u>
	<u>Fiduciary Funds</u>
Student tuition and fees	<u>\$ 107,340</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, 2017, the amounts owed between the primary government and fiduciary funds were \$105,645 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 2017 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 \$1,969,692.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
Bonds and Notes Payable					
General obligation bonds, Series 2003	\$ 16,466,350	\$ 867,275	\$ 1,290,000	\$ 16,043,625	\$ 1,350,000
General obligation bonds, Series 2005	6,704,876	410,593	-	7,115,469	-
General obligation bonds, Series 2007	780,000	-	780,000	-	-
General obligation bonds, Series 2012	33,065,000	-	-	33,065,000	-
Unamortized premium	2,233,509	-	85,904	2,147,605	-
General Obligation bonds, Refunding Bonds 2013	33,420,000	-	870,000	32,550,000	935,000
Unamortized premium	4,154,308	-	341,450	3,812,858	-
General obligation bonds, Series 2014	24,000,000	-	-	24,000,000	55,000
Unamortized premium	1,116,613	-	47,515	1,069,098	-
General Obligation bonds, Refunding Bonds 2016	94,050,000	-	2,295,000	91,755,000	1,335,000
Unamortized premium	9,398,634	-	312,420	9,086,214	-
General obligation bonds, Series 2016	-	20,000,000	-	20,000,000	-
Unamortized premium	-	1,571,232	35,210	1,536,022	-
General obligation bonds, Series 2017	-	50,000,000	-	50,000,000	-
Unamortized premium	-	3,499,569	28,843	3,470,726	-
Certificates of participation - 2006	10,885,000	-	10,885,000	-	-
Certificate of participation - 2009	5,730,000	-	5,730,000	-	-
Unamortized premium	53,883	-	53,883	-	-
Certificate of participation Refunding 2017	-	9,580,000	-	9,580,000	-
Unamortized premium	-	1,078,630	18,813	1,059,817	-
Total Bonds Payable	242,058,173	87,007,299	22,774,038	306,291,434	3,675,000
Other Liabilities					
Capital leases	36,817	-	36,817	-	-
Early retirement plan	227,801	3,428,152	373,874	3,282,079	685,631
Net OPEB obligations	2,774,883	882,674	281,787	3,375,770	-
Aggregate net pension obligation	74,332,944	19,162,227	-	93,495,171	-
Compensated absences (net)	3,286,354	26,509	-	3,312,863	606,910
Total Other Liabilities	80,658,799	23,499,562	692,478	103,465,883	1,292,541
Total Long-Term Obligations	\$ 322,716,972	\$ 110,506,861	\$ 23,466,516	\$ 409,757,317	\$ 4,967,541

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the principal balance outstanding was \$16,043,625.

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, 2017, the principal balance outstanding was \$7,115,469.

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. During the year ended June 30, 2017, the bonds were paid in full.

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, 2017, the principal balance outstanding was \$33,065,000. Unamortized premium received on issuance of the bonds amounted to \$2,147,605 as of June 30, 2017.

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, 2017, the principal balance outstanding was \$32,550,000. Unamortized premium received on issuance of the bonds amounted to \$3,812,858 as of June 30, 2017.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the principal balance outstanding was \$24,000,000. Unamortized premium received on issuance of the bonds amounted to \$1,069,098 as of June 30, 2017.

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, 2017, the principal balance outstanding was \$91,755,000. Unamortized premium received on issuance of the bonds amounted to \$9,086,214 as of June 30, 2017.

In November 2016, the District issued Election of 2006 Series 2016 General Obligation Bonds in the amount of \$20,000,000. The bonds were issued as current interest bonds. The bonds were issued to finance the acquisition, modernization, and renovation of District facilities, to refund the 2009 certificates of participation, and to pay the cost of the issuance associated with the issuance of the bonds. The bonds bear interest rates of 3.00 to 5.00 percent. At June 30, 2017, the principal balance outstanding was \$20,000,000. Unamortized premium received on issuance of the bonds amounted to \$1,536,022 as of June 30, 2017.

In June 2016, voters authorized a total of \$230,000,000 in general obligation bonds. In April 2017, the District issued Election of 2016 Series 2017 General Obligation Bonds in the amount of \$50,000,000. 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, 2017, the principal balance outstanding was \$50,000,000. Unamortized premium received on issuance of the bonds amounted to \$3,470,726 as of June 30, 2017.

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 repayment.

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. The proceeds from the 2017 Refunding Certificates of Participation were used to pay off the outstanding 2006 Certificates of Participation during the year ended June 30, 2017.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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. A portion of the proceeds of the General Obligation Bonds, Election of 2006, Series 2016 were deposited in an escrow fund to defease all of the outstanding 2009 Certificates of Participation and to provide for their prepayment due on and prior to August 1, 2019. At June 30, 2017, the balance of the funds in the escrow account was \$5,680,302.

In April, 2017, the District issued the \$9,580,000 2017 Refunding Certificates of Participation. The certificates have a final maturity to occur on August 1, 2031, with interest rates from 2.00 to 5.00 percent. The net proceeds of the certificates were used to currently refund the outstanding 2006 Certificates of Participation and to pay the cost of issuance associated with the refunding certificates. At June 30, 2017, the principal balance outstanding was \$9,580,000. Unamortized premium received on issuance of the certificates amounted to \$1,059,817 as of June 30, 2017.

The District has utilized capital lease agreements to purchase equipment. The current lease purchase agreements were paid in full during the year ended June 30, 2017.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest Addition	Redeemed	Bonds	
				Outstanding Beginning of Year	Issued			Outstanding End of Year	
2003	08/01/28	1.05%-5.60%	\$ 17,498,982	\$ 16,466,350	\$ -	\$ 867,275	\$ 1,290,000	\$ 16,043,625	
2005	08/01/30	3.00%-5.00%	42,981,087	6,704,876	-	410,593	-	7,115,469	
2007	08/01/16	4.00%-5.00%	79,997,270	780,000	-	-	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	-	-	870,000	32,550,000	
2014	08/01/39	2.00%-5.00%	25,000,000	24,000,000	-	-	-	24,000,000	
2016	08/01/46	2.00%-5.00%	94,050,000	94,050,000	-	-	2,295,000	91,755,000	
2016	08/01/46	3.00%-5.00%	20,000,000	-	20,000,000	-	-	20,000,000	
2016	08/01/47	2.00%-5.00%	50,000,000	-	50,000,000	-	-	50,000,000	
				<u>\$ 208,486,226</u>	<u>\$ 70,000,000</u>	<u>\$ 1,277,868</u>	<u>\$ 5,235,000</u>	<u>\$ 274,529,094</u>	

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2018	\$ 1,316,937	\$ 33,063	\$ 1,350,000
2019	1,311,663	103,337	1,415,000
2020	1,309,887	180,113	1,490,000
2021	1,298,123	261,877	1,560,000
2022	1,290,353	349,647	1,640,000
2023-2027	6,273,994	3,216,006	9,490,000
2028-2029	3,242,668	2,712,032	5,954,700
Total	\$ 16,043,625	\$ 6,856,075	\$ 22,899,700

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

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2028-2031	\$ 7,115,469	\$ 8,549,531	\$ 15,665,000

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	210,000	1,506,050	1,716,050
2023-2027	2,270,000	7,289,150	9,559,150
2028-2032	4,810,000	6,574,950	11,384,950
2033-2037	8,550,000	4,938,500	13,488,500
2038-2042	13,640,000	2,328,600	15,968,600
2043	3,450,000	74,200	3,524,200
Total	\$ 33,065,000	\$ 28,780,275	\$ 61,845,275

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	1,210,000	1,190,400	2,400,400
2023-2027	19,200,000	3,707,425	22,907,425
2028-2029	7,995,000	242,025	8,237,025
Total	\$ 32,550,000	\$ 10,328,275	\$ 42,878,275

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	275,000	936,075	1,211,075
2023-2027	2,515,000	4,380,000	6,895,000
2028-2032	5,050,000	3,493,606	8,543,606
2033-2037	8,355,000	2,288,713	10,643,713
2038-2040	7,155,000	446,100	7,601,100
Total	\$ 24,000,000	\$ 15,372,219	\$ 39,372,219

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	1,725,000	3,302,525	5,027,525
2023-2027	830,000	16,271,100	17,101,100
2028-2032	6,050,000	15,577,925	21,627,925
2033-2037	13,760,000	13,867,950	27,627,950
2038-2042	24,275,000	10,484,100	34,759,100
2043-2047	39,265,000	4,204,900	43,469,900
Total	\$ 91,755,000	\$ 77,598,500	\$ 169,353,500

The General Obligation Bonds, Series 2016, mature through 2047 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	\$ -	\$ 791,068	\$ 791,068
2019	685,000	780,793	1,465,793
2020	-	770,518	770,518
2021	-	770,519	770,519
2022	-	770,519	770,519
2023-2027	500,000	3,820,495	4,320,495
2028-2032	1,665,000	3,565,970	5,230,970
2033-2037	3,300,000	3,058,047	6,358,047
2038-2042	5,425,000	2,268,500	7,693,500
2043-2047	8,425,000	897,900	9,322,900
Total	\$ 20,000,000	\$ 17,494,329	\$ 37,494,329

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The General Obligation Bonds, Series 2017, mature through 2048 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ -	\$ 1,432,367	\$ 1,432,367
2019	6,160,000	1,862,475	8,022,475
2020	5,290,000	1,721,525	7,011,525
2021	240,000	1,637,375	1,877,375
2022	290,000	1,626,775	1,916,775
2023-2027	2,285,000	7,850,250	10,135,250
2028-2032	4,080,000	7,072,800	11,152,800
2033-2037	6,320,000	5,959,812	12,279,812
2038-2042	9,330,000	4,194,025	13,524,025
2043-2047	12,915,000	1,973,500	14,888,500
2048	3,090,000	61,800	3,151,800
Total	<u>\$ 50,000,000</u>	<u>\$ 35,392,704</u>	<u>\$ 85,392,704</u>

Certificates of Participation

The certificates mature through 2032 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 286,727	\$ 286,727
2019	745,000	377,707	1,122,707
2020	745,000	359,082	1,104,082
2021	760,000	332,707	1,092,707
2022	785,000	301,807	1,086,807
2023-2027	3,835,000	995,930	4,830,930
2028-2032	2,710,000	190,877	2,900,877
Total	<u>\$ 9,580,000</u>	<u>\$ 2,844,837</u>	<u>\$ 12,424,837</u>

Capital Leases

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

Balance, July 1, 2016	<u>\$ 37,520</u>
Payments	<u>37,520</u>
Balance, June 30, 2017	<u>\$ -</u>

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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	203,031
Total	<u><u>\$ -</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 \$3,282,079 on behalf of the retirees over the next five years in accordance with the following schedule:

Year Ending <u>June 30,</u>	
2018	\$ 685,631
2019	685,630
2020	685,630
2021	685,630
2022	539,558
Total	<u><u>\$ 3,282,079</u></u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$978,496, and contributions made by the District during the year were \$281,787. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$124,870 and \$(220,692), respectively, which resulted in an increase to the net OPEB obligation of \$600,887. As of June 30, 2017, the net OPEB obligation was \$3,375,770. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to \$93,495,171. See Note 15 for additional information.

Compensated Absences

At June 30, 2017, the total unpaid compensated absences was \$3,312,863.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 12 - LEASE REVENUES

The District has property held for lease with an estimated cost of \$3,172,338 and accumulated depreciation of \$1,397,940. 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,	
2018	\$ 896,205
2019	899,901
2020	903,644
2021	907,436
2022	911,276
Total	<u>\$ 4,518,462</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 149 retirees and beneficiaries currently receiving benefits and 557 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 2016-2017, the District contributed \$281,787 to the Plan, all of which was used for current premiums.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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	\$ 978,496
Interest on net OPEB obligation	124,870
Adjustment to annual required contribution	<u>(220,692)</u>
Annual OPEB cost (expense)	882,674
Contributions made	<u>(281,787)</u>
Increase in net OPEB obligation	600,887
Net OPEB obligation, July 1, 2016	<u>2,774,883</u>
Net OPEB obligation, June 30, 2017	<u><u>\$ 3,375,770</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
2015	\$ 665,948	\$ 268,125	40%	\$ 2,396,115
2016	654,399	275,631	42%	2,774,883
2017	882,674	281,787	32%	3,375,770

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 8,528,776
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 8,528,776</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, 2017

The above noted actuarial accrued liability was based on the January 1, 2017, 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, 2017, 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 percent method, closed 30 year amortization period for the initial UAAL. The remaining amortization period is 23 years for any residual UAAL. 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, 2017, 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, 2017**

Workers' Compensation

For fiscal year 2017, 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, 2017, 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	\$ 52,007,869	\$ 9,240,575	\$ 1,330,492	\$ 5,124,376
CalPERS	41,487,302	12,460,209	1,390,553	5,322,368
Total	\$ 93,495,171	\$ 21,700,784	\$ 2,721,045	\$ 10,446,744

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, 2015, 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, 2017**

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, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	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	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

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, 2017, are presented above, and the District's total contributions were \$4,141,508.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

At June 30, 2017, 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	\$ 52,007,869
State's proportionate share of net pension liability associated with the District	29,607,152
Total	<u>\$ 81,615,021</u>

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.0643 percent and 0.0644 percent, respectively, resulting in a net decrease in the proportionate share of 0.0001 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$5,124,376. In addition, the District recognized pension expense and revenue of \$2,861,843 for support provided by the State. At June 30, 2017, 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	\$ 4,141,508	\$ -
Net change in proportionate share of net pension liability	964,467	61,819
Differences between projected and actual earnings on the pension plan investments	4,134,600	-
Differences between expected and actual experience in the measurement of the total pension liability	-	1,268,673
Total	<u>\$ 9,240,575</u>	<u>\$ 1,330,492</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, 2017

The deferred outflows 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 of Resources
2018	\$ 90,203
2019	90,203
2020	2,403,457
2021	1,550,737
Total	<u>\$ 4,134,600</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 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (48,949)
2019	(48,949)
2020	(48,949)
2021	(48,949)
2022	(48,951)
Thereafter	(121,278)
Total	<u>\$ (366,025)</u>

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 74,851,052
Current discount rate (7.60%)	52,007,869
1% increase (8.60%)	33,035,648

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, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. 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, 2017

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, 2017, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	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	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above, and the total District contributions were \$3,916,268.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$41,487,302. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.2101 percent and 0.2102 percent, respectively, resulting in a net decrease in the proportionate share of 0.0001 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$5,322,368. At June 30, 2017, 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	\$ 3,916,268	\$ -
Net change in proportionate share of net pension liability	322,094	144,107
Differences between projected and actual earnings on the pension plan investments	6,437,495	-
Differences between expected and actual experience in the measurement of the total pension liability	1,784,352	-
Changes of assumptions	-	1,246,446
Total	<u>\$ 12,460,209</u>	<u>\$ 1,390,553</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 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 of Resources
2018	\$ 902,944
2019	902,945
2020	2,951,477
2021	1,680,129
Total	<u>\$ 6,437,495</u>

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 201,928
2019	323,244
2020	190,721
Total	<u>\$ 715,893</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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, 2017

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 61,899,286
Current discount rate (7.65%)	41,487,302
1% increase (8.65%)	24,490,309

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, which amounted to \$2,782,428 (8.828 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, 2017. 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, 2017

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, 2017, the District made payments of \$1,850,651, \$480,352, \$928,986, \$192,219, and \$4,312,740 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, 2017.

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, 2017.

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, 2017, amounted to \$18,510.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitments</u>	<u>Expected Dates of Completion</u>
ADA Door/Hardware Replacement	\$ 1,176,201	February 28, 2018
Boykin 105 Remodel	71,563	September 30, 2018
Boykin Hall Elevator Replacement - 1st Floor	45,435	November 30, 2017
Boykin Hall Modernization	509,268	August 31, 2017
CCC - Science and Lecture Building	3,174,963	December 31, 2019
CCC - Student Services Learning Resources	1,196,000	December 31, 2020
CCC - Central Plant	227,784	December 31, 2019
CCC - Remodel Quads 311-312	749,204	December 31, 2019
Distance Learning Remodel	2,550	September 30, 2018
Door Lock Replacement Project	1,415,338	February 28, 2018
Electrical Transformer Project	29,326	August 31, 2017
Emergency Shut Off Plan	1,062	November 30, 2017
Mentry Hall Fire Alarm Upgrade	44,250	December 31, 2017
Parking Lot 7 Utilities	563,434	November 30, 2017
Parking Structure Valencia	21,440,896	January 31, 2019
PE West Modernization	363,700	January 31, 2019
Remodel X-6 Valencia	38,757	June 30, 2018
Shade Structure Covering - CCC	29,256	December 31, 2017
Shade Structure Covering - Valencia	830	July 31, 2017
Scheduled Maintenance and Repairs Valencia	13,199	July 31, 2017
Grounds Scheduled Maintenance and Repairs Valencia	5,000	July 31, 2017
	<u>\$ 31,098,016</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.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 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
January 1, 2017	-	8,528,776	8,528,776	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, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.0643%</u>	<u>0.0644%</u>	<u>0.0625%</u>
District's proportionate share of the net pension liability	\$ 52,007,869	\$ 43,356,157	\$ 36,549,539
State's proportionate share of the net pension liability associated with the District	<u>29,607,152</u>	<u>22,930,627</u>	<u>22,070,189</u>
Total	<u>\$ 81,615,021</u>	<u>\$ 66,286,784</u>	<u>\$ 58,619,728</u>
District's covered-employee payroll	<u>\$ 31,151,911</u>	<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	<u>166.95%</u>	<u>170.41%</u>	<u>131.42%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS			
District's proportion of the net pension liability	<u>0.2101%</u>	<u>0.2102%</u>	<u>0.2058%</u>
District's proportionate share of the net pension liability	\$ 41,487,302	\$ 30,976,787	\$ 23,365,441
District's covered-employee payroll	<u>\$ 24,896,193</u>	<u>\$ 21,783,893</u>	<u>\$ 21,565,373</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>166.64%</u>	<u>142.20%</u>	<u>108.35%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</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

**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 4,141,508	\$ 3,342,600	\$ 2,259,336
Contributions in relation to the contractually required contribution	<u>4,141,508</u>	<u>3,342,600</u>	<u>2,259,336</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 32,921,367</u>	<u>\$ 31,151,911</u>	<u>\$ 25,442,973</u>
Contributions as a percentage of covered-employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 3,916,268	\$ 2,949,452	\$ 2,564,182
Contributions in relation to the contractually required contribution	<u>3,916,268</u>	<u>2,949,452</u>	<u>2,564,182</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 28,198,934</u>	<u>\$ 24,896,193</u>	<u>\$ 21,783,893</u>
Contributions as a percentage of covered-employee payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</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, 2017

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.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

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.

SUPPLEMENTARY INFORMATION

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2017

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>
Steve D. Zimmer	President	2020
Michael D. Berger	Vice President	2018
Michele R. Jenkins	Clerk	2020
Joan W. MacGregor	Member	2018
Edel Alonso	Member	2020

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, 2017**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass through California Department of Education Child and Adult Care Food Program	10.558	13666	\$ 32,317
Pass through Los Angeles County Office of Education Forest Reserve	10.665	[1]	<u>18,750</u>
Total U.S. Department of Agriculture			<u><u>51,067</u></u>
NATIONAL SCIENCE FOUNDATION			
Research and Development Cluster			
California Regional Consortium for Engineering Advances in Technical Education (CREATE)			
CREATE Renewable Energy Regional Center, Year 04	47.076		23,405
CREATE Renewable Energy Regional Center, Supplement (Virgin Islands)	47.076		14,580
CREATE ATE Center Longitudinal Targeted Research Study	47.076		49,691
Advanced, Automated Manufacturing and Processing Technicians Program	47.076		148,851
Pass through Madison Area Technical College			
Center for Renewable Energy Advanced Technological Education Support Center (CREATE-SC)	47.076	1066934	99,997
Pass through Lorain County Community College			
National Center of Welding Education and Training - NSF ATE Center	47.076	139789	3,975
Pass through Mathematical Association of America			
Professional Development Emphasizing Data-Centered Resource and Pedagogies for Instructors of Undergraduate Introductory Statistics (StatPREP)	47.076	3-8-711-889	16,628
Pass through Villanova University			
Training a New Generation of Statistics Educators (TANGO Stat Ed)	47.076	525838-1-Posner	<u>37,834</u>
Total Research and Development Cluster			<u><u>394,961</u></u>

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

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
SMALL BUSINESS ADMINISTRATION			
Pass through Long Beach City Community College District			
Small Business Development Center	59.037	CN 99744.9	\$ 193,850
Small Business Development Center	59.037	CN 99733.8	169,214
Small Business Development Center - Paperless Project and Training Hub	59.037	P78966	9,371
Total Small Business Administration			<u>372,435</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Outreach Program - Administration	64.117		<u>3,210</u>
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		14,849,480
Federal Pell Grant Program Administration Allowance	84.063		24,500
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		305,375
Federal Work-Study Program	84.033		257,383
Federal Work-Study Program Administration Allowance	84.033		37,517
Federal Direct Student Loans	84.268		2,970,029
Total Student Financial Assistance Cluster			<u>18,444,284</u>
CAREER AND TECHNICAL EDUCATION ACT			
Pass through California Community Colleges Chancellor's Office			
Perkins, Title I, Part C	84.048	16-C01-054	398,763
Career and Technical Education Transitions	84.048A	16-C01-054	43,750

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

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
HIGHER EDUCATION ACT			
Upward Bound Program	84.047A		\$ 254,365
Title V - Hispanic-Servicing Institutions	84.031S		479,022
Pass through University Corporation (CSUN)			
Hispanic-Servicing Institutions - Science, Technology, Engineering, and Mathematics Initiative (HSI-STEM)	84.031C	F-11-2910COC	159,588
Developing California's Workforce: Creating Pathways for Latino Transfer Student in High Demand Careers	84.031S	A17-0033-S002	9,751
Total U.S. Department of Education			<u>19,789,523</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Substance Abuse and Mental Health Services Administration			
Campus Suicide Prevention Grant	93.243		89,961
Pass through Los Angeles County Office of Education			
Medical Administrative Activities (MAA)	93.778	C-15068:14:17	26,704
Pass through California Community Colleges Chancellor's Office			
Foster and Kinship Care Education (FKCE)	93.658	[1]	45,700
Child Care and Development Fund (CCDF) Cluster			
Pass through Yosemite Community College District			
Child Development - Training Consortium	93.575	16-17-3155	8,550
Pass through Chabot-Las Positas Community College District			
Child Development - Mentor Teacher	93.575	CN150142	1,334
Pass through California Department of Education			
Child Development - General Child Care/Development Programs	93.596	13609	39,519
Child Development - General Child Care/Development Programs	93.575	15136	17,755
Total Child Care and Development (CCDF) Cluster			<u>67,158</u>
TANF Cluster			
Pass through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	71,251
Pass through Los Angeles County Department of Public Social Services			
Temporary Assistance for Needy Families (TANF)	93.558	CCCCP15011	56,073
Total TANF Cluster			<u>127,324</u>
Total U.S. Department of Health and Human Services			<u>356,847</u>
Total Expenditures of Federal Awards			<u>\$ 20,968,043</u>

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

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
Adult Education Grant- Data Accountability	\$ 61,856	\$ -	\$ -	\$ 11,415	\$ 50,441	\$ 50,441
Adult Education Block Grant - AB104 (Yr2)	268,044	-	-	-	268,044	268,044
Adult Education Block Grant - AB104 (Yr3)	386,508	-	-	378,701	7,807	7,807
Basic Skills Reappropriation 16-17 funds	90,106	-	-	-	90,106	90,106
Basic Skills Reappropriation 15-16 funds	140,755	-	-	-	140,755	140,755
Basic Skills & Student Outcomes Transformation	597,473	-	-	313,932	283,541	283,541
Board Financial Assistance Program (BFAP)	482,636	-	-	-	482,636	482,636
California Career Pathways Trust Implementation	3,993,504	-	-	2,543,929	1,449,575	1,449,575
CA Apprenticeship Initiative	104,000	-	-	95,933	8,067	8,067
CA College Promise	750,000	-	-	730,203	19,797	19,797
CA Work Opportunities and Responsibilities	387,369	-	-	-	387,369	387,369
Cal Grant	1,218,777	84,796	-	-	1,303,573	1,303,573
CCC eTranscript Mini Grant	17,500	-	-	3,882	13,618	13,618
Career Tech Educ - Enhancement	187,013	-	-	-	187,013	187,013
Career Tech Educ - SB1070 Career Pathway YR 3	40,000	335,298	-	-	375,298	375,298
Career Tech Educ - SB1070 Career Pathway YR 2	-	2,296	-	-	2,296	2,296
Career Tech Educ - Teacher Prep Pipeline (FY15-16)	39,404	77,268	-	-	116,672	116,672
Career Tech Educ- Teacher Prep Pipeline	-	4,003	-	-	4,003	4,003
Career Tech Educ- Data Unlocked	50,000	-	-	50,000	-	-
Child Development - Child Nutrition	1,347	194	-	-	1,541	1,541
Child Development - Foster Parent	41,388	11,404	-	-	52,792	52,792
Child Development - Foster Parent-CSEC	3,300	2,200	-	-	5,500	5,500
Child Development - General Childcare & Dev Programs	81,325	-	554	-	80,771	80,217
Child Development - State Preschool Contract	247,914	-	4,062	-	243,852	243,852

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
Closed Caption Grant - Distance Ed - Butte	\$ 119,853	\$ -	\$ -	\$ 119,853	\$ -	\$ -
Closed Caption Grant - Distance Ed - FY15-16	451,399	-	-	-	451,399	451,399
Closed Caption Grant - Distance Ed - FY16-17	-	449,586	-	-	449,586	449,586
Cooperative Agency Res for Education (CARE)	77,461	-	-	-	77,461	77,461
Deputy Sector Navigator-Advanced Manufacturing (SB858)	40,000	-	-	26,625	13,375	13,375
Deputy Sector Navigator-Advanced Manufacturing	-	2,783	-	-	2,783	2,783
Deputy Sector Navigator-Advanced Manufacturing (SB858)	27,579	60,000	-	-	87,579	87,579
Deputy Sector Navigator-Advanced Manufacturing	80,000	120,000	-	-	200,000	200,000
Deputy Sector Navigator-Health (SB858)	40,000	-	-	4,636	35,364	35,364
Deputy Sector Navigator-Health (SB858)	73,372	-	-	-	73,372	73,372
Deputy Sector Navigator-Health	80,000	120,000	-	-	200,000	200,000
Deputy Sector Navigator-Info Comm Tech (SB858)	23,612	60,000	-	-	83,612	83,612
Deputy Sector Navigator-Info Comm Tech (SB858)	40,000	-	-	16,972	23,028	23,028
Deputy Sector Navigator-Info Comm Tech	80,000	120,000	-	-	200,000	200,000
Deputy Sector Navigator-Water Project	44	-	-	44	-	-
Disabled Student Programs and Services	1,190,710	-	-	-	1,190,710	1,190,710
Economic Development - Econ Dev Center Coord Svcs (FY 15-16)	-	323,718	-	-	323,718	323,718
16-17)#190	480,000	528,746	-	-	1,008,746	1,008,746
Extended Opportunity Program and Services	548,180	-	-	-	548,180	548,180
Full Time Student Success Grant	404,043	-	-	-	404,043	335,435
GIG Economy- Solano CCD	-	4,160	-	-	4,160	4,160
Industry Driven Regional Collaborative Health Info Coding Grant	130,290	-	-	-	130,290	130,290
Interdisciplinary Studies	36,819	-	-	-	36,819	36,819
Institutional Support Services	244,764	-	-	-	244,764	244,764

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
Institutional Effectiveness and Technical Assistance (Year 3)	\$ 3,000,000	\$ 3,120,921	\$ -	\$ -	\$ 6,120,921	\$ 6,120,921
Institutional Effectiveness and Technical Assistance (Year 2)	2,402,451	549,845	-	-	2,952,296	2,952,296
Institutional Equipment Support (Block Grant) 15-16	876,130	-	-	-	876,130	876,130
Institutional Equipment Support (Block Grant) 16-17	2,553,817	-	-	-	2,553,817	1,574,609
Los Angeles Universal Preschool	295,233	-	-	-	295,233	295,233
OER Zero Textbook Cost Degree Technical assistance	-	3,608	-	-	3,608	3,608
OER Zero Textbook Cost Degree grant	48,705	-	-	26,573	22,132	22,132
OER Textbook Affordability AB798	45,000	-	-	40,105	4,895	4,895
Proposition 39 - Kern County	-	20,261	-	-	20,261	20,261
SBDC - GO Biz (CN 99740.9) FY 16-17	34,937	5,063	-	-	40,000	40,000
Staff Diversity	60,000	-	-	-	60,000	39,597
Staff Diversity Carry Forward	802	-	-	-	802	-
Strong Workforce Local Share	919,811	-	-	433,303	486,508	486,508
Strong Workforce Regional Share	645,913	-	-	586,183	59,730	59,730
Student Equity	1,360,970	-	-	-	1,360,970	1,020,262
Student Equity Carry Forward	529,716	-	-	-	529,716	529,716
Student Success - Mesa Grant	30,300	47,593	-	-	77,893	77,893
Student Success - Mesa Grant Carry Forward	18,273	-	-	-	18,273	18,273
Student Success and Support Programs - Credit	3,086,019	-	-	-	3,086,019	2,636,497
Student Success and Support Programs - Credit Carry Forward	467,492	-	-	-	467,492	467,492
Student Success and Support Programs - Non-Credit	77,697	-	-	-	77,697	26,022
Student Success and Support Programs - Non-Credit Carry Forward	109,398	-	-	-	109,398	109,398
Student Success - Middle College HS (AOC)	39,600	69,400	-	-	109,000	109,000
Total State Programs	\$ 29,960,609	\$ 6,123,143	\$ 4,616	\$ 5,382,289	\$ 30,696,847	\$ 28,785,367

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2017**

CATEGORIES	**Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit*	21.71	-	21.71
2. Credit	1,035.62	-	1,035.62
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit*	5.72	-	5.72
2. Credit	1,247.11	-	1,247.11
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,948.95	-	8,948.95
(b) Daily Census Contact Hours	1,045.50	-	1,045.50
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	317.95	-	317.95
(b) Credit	1,513.38	-	1,513.38
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,116.58	-	1,116.58
(b) Daily Census Contact Hours	1,191.56	-	1,191.56
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	16,444.08	-	16,444.08
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	1,652.76	-	1,652.76
H. Basic Skills Courses and Immigrant Education			
1. Noncredit*	121.15	-	121.15
2. Credit	449.35	-	449.35
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	123.86	-	123.86
Centers FTES			
1. Noncredit*	29.02	-	29.02
2. Credit	2,040.89	-	2,040.89

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

** Revised November 1, 2017.

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, 2017**

	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
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 15,528,564	\$ -	\$ 15,528,564	\$ 15,615,602	\$ -	\$ 15,615,602
Other	1300	14,848,962	-	14,848,962	14,849,976	-	14,849,976
Total Instructional Salaries		30,377,526	-	30,377,526	30,465,578	-	30,465,578
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	5,507,094	-	5,507,094
Other	1400	-	-	-	1,239,138	-	1,239,138
Total Noninstructional Salaries		-	-	-	6,746,232	-	6,746,232
Total Academic Salaries		30,377,526	-	30,377,526	37,211,810	-	37,211,810
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	15,116,659	-	15,116,659
Other	2300	-	-	-	1,299,016	-	1,299,016
Total Noninstructional Salaries		-	-	-	16,415,675	-	16,415,675
Instructional Aides							
Regular Status	2200	1,204,102	-	1,204,102	1,204,102	-	1,204,102
Other	2400	1,039,595	-	1,039,595	1,067,917	-	1,067,917
Total Instructional Aides		2,243,697	-	2,243,697	2,272,019	-	2,272,019
Total Classified Salaries		2,243,697	-	2,243,697	18,687,694	-	18,687,694
Employee Benefits	3000	9,307,991	-	9,307,991	17,373,681	-	17,373,681
Supplies and Material	4000	-	-	-	839,766	-	839,766
Other Operating Expenses	5000	1,669,805	-	1,669,805	11,035,690	-	11,035,690
Equipment Replacement	6420	-	-	-	1,787,679	-	1,787,679
Total Expenditures Prior to Exclusions		43,599,019	-	43,599,019	86,936,320	-	86,936,320

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, 2017**

	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
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 282,612	\$ -	\$ 282,612	\$ 282,612	\$ -	\$ 282,612
Student Health Services Above Amount Collected	6441	-	-	-	26,706	-	26,706
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	91,260	-	91,260
Objects to Exclude							
Rents and Leases	5060	-	-	-	226,460	-	226,460
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	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

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, 2017**

	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	\$ -	\$ -	\$ -	\$ 2,504,240	\$ -	\$ 2,504,240
Capital Outlay	6000						
Library Books	6300	-	-	-	153,947	-	153,947
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	1,633,732	-	1,633,732
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	1,633,732	-	1,633,732
Total Capital Outlay					1,787,679	-	1,787,679
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		282,612	-	282,612	4,918,957	-	4,918,957
Total for ECS 84362, 50 Percent Law		\$ 43,316,407	\$ -	\$ 43,316,407	\$ 82,017,363	\$ -	\$ 82,017,363
Percent of CEE (Instructional Salary Cost/Total CEE)		52.81%		52.81%	100.00%		100.00%
50% of Current Expense of Education					\$ 41,008,682		

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, 2017**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2017.

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, 2017**

Activity Classification	Object Code	Unrestricted			
EPA Revenue:	8630				\$ 12,239,190
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 12,239,190	\$ -	\$ -	\$ 12,239,190
Total Expenditures for EPA		\$ 12,239,190	\$ -	\$ -	\$ 12,239,190
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENTS OF NET POSITION
JUNE 30, 2017**

**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	\$ 10,632,165	
General Fund - restricted	2,439,439	
Special Revenue Funds	858,680	
Capital Projects Funds	80,829,969	
Debt Service Funds	12,514,014	
Enterprise Fund	133,602	
Internal Service Fund	6,061,592	
Fiduciary Funds and due to student clubs	<u>8,402,698</u>	
		\$ 121,872,159

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	347,453,134	
Accumulated depreciation is	<u>(81,345,583)</u>	266,107,551

Amounts held in trust on behalf of others (Trust and Agency Funds)

		(8,266,496)
--	--	-------------

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.		5,680,155
--	--	-----------

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.

		(4,085,602)
--	--	-------------

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	8,057,776	
Net change in proportionate share of net pension liability	1,286,561	
Differences between projected and actual earnings on pension plan investments	10,572,095	
Differences between expected and actual experience in the measurement of the total pension liability	<u>1,784,352</u>	
Total Deferred Outflows of Resources Related to Pensions		21,700,784

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	(205,926)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,268,673)	
Change in assumptions	<u>(1,246,446)</u>	
Total Deferred Inflows of Resources Related to Pensions		(2,721,045)

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET POSITION, CONTINUED JUNE 30, 2017

Long-term obligations at year end consist of:

General obligation bond payable	\$	262,836,242	
Unamortized premium - Bonds		21,122,523	
Certificate of participation		9,580,000	
Unamortized premium- Certificates of participation		1,059,817	
Early retirement plan		3,282,079	
Net OPEB obligation		3,375,770	
Compensated absences (less amount set up in Governmental Funds)		2,705,953	
Aggregate net pension obligation		93,495,171	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:		11,692,852	\$ (409,150,407)
Total Net Position			<u>\$ (8,862,901)</u>

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 Annual (Actual) Attendance

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, 2017

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.

INDEPENDENT AUDITOR'S REPORTS



**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, 2017, 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, 2017.

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, 2017.

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.



Rancho Cucamonga, California
December 20, 2017



**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, 2017. 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, 2017.

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, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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 March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

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 March 2017.

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 March 2017. 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.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 475 Disabled Student Programs and Services (DSPS), finding 2017-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion for Each of the Other 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, 2017, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition 55 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 and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

Vivian J. Tume, Day & Co., LLP

Rancho Cucamonga, California
December 20, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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>
84.063, 84.007, 84.033, and <u>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>Qualified</u>
Unmodified for all State programs except for the following State program which was qualified:	
	<u>Name of State Program</u>
	Section 475 Disabled Student Programs and Services (DSPS)

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

The following finding represents instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2017-001 SECTION 475 - DISABLED STUDENT PROGRAMS & SERVICES (DSPS)

Criteria or Specific Requirement

California Code of Regulations (CCR) Title 5, *Education Code* Section 56062 outlines the criteria which students must meet in order to be counted as students with disabilities who are receiving services or instruction funded through the DSPS program.

California Code of Regulations (CCR) Title 5, *Education Code* Section 56022 requires each college to generate an Academic Accommodation Plan (AAP) and maintain a record of the interactive process between each DSPS student and a DSPS certificated staff member regarding the academic adjustments, auxiliary aids, services and/or instruction necessary to provide the student equal access to the educational process, given the educational limitations resulting from the student's disabilities. In addition, when a student is enrolled in educational assistance classes the AAP shall define measurable progress toward the goals of each class.

Condition

Three of 25 students selected for testing were counted as receiving service contacts. These contacts being claimed were for emails initiated by DSPS personnel, however, lacked substance or outcome-oriented contact, due to no student response. In addition, the same three students lacked evidence of updates to their Academic Accommodation Plan.

Questioned Costs

To be determined by the State Chancellor's Office and the DSPS program.

Context

The District served a total of 2,293 students during the 2016-2017 year. Based on the calculated error rate, 275 student files are at risk of not retaining sufficient documentation of outcome-oriented contact, and lack of evidence of updates to the student Academic Accommodation Plan.

Effect

By not following program guidelines, the special funding for the DSPS program could be jeopardized.

Cause

The DSPS department lacked the appropriate procedures to ensure compliance with Title 5 requirements.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Recommendation

The District should implement a control procedure for monitoring compliance issues related to this program to ensure that compliance requirements are met.

Management's Response and Corrective Action Plan

In the condition stated by the auditors, three students received emails initiated by DSPS personnel, however, lacked substance or outcome-oriented contact, due to no student response, therefore should not have been coded as a "disability type" contact which would ultimately have been reported to the State Chancellor's Office. Upon being initially informed by two members of the audit team this could be a finding, the DSPS staff worked with MIS and began to review all 19,000+ contacts for the 2016-2017 year to make sure the contacts were coded properly as either a "DS" contact or a "Disability Type" contact before being resubmitted to the State Chancellor's Office on August 1, 2017.

DSPS staff reviewed all 19,000+ contacts and made any necessary corrections to ensure all contacts were coded properly before resubmission on August 1, 2017. From then forward DSPS personnel has been well aware that a dialogue/interaction with a student is necessary to be considered a valid contact that counts for funding.

In addition, those same three students have not signed their Annual Accommodation Plan Update (AAP). We have a list of students who have not signed their AAP and this semester are sending students bi-weekly emails encouraging them to sign this form. They can come in person, email, fax, or scan the form to DSPS. Scanning the document is relatively new to the process. For the next step in implementing corrective procedures we unflagged any student in ASTR that had not signed their AAP Update, therefore making them inactive and suspending DSPS services. Once the student signs the form, services will be re-instated. DSPS will continue to contact the students encouraging them to complete and sign the mandated AAP Updated form.

It is the goal of DSPS to strive to provide quality services to students, maintain accurate records and coding. All DSPS personnel have been informed of these procedures and it has been incorporated into the daily work flow in DSPS. All contacts for 2016-2017 were resubmitted by MIS to the State Chancellor's Office with accurate data elements.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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

None reported.

State Awards Findings

None reported.