



Financial and Performance Audits
Measure E General Obligation Bonds Election 2016
June 30, 2019

**Santa Clarita Community
College District**



Financial Audit
Measure E General Obligation Bonds Election 2016
June 30, 2019

**Santa Clarita Community
College District**

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

**FINANCIAL AUDIT
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JUNE 30, 2019**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees and
Citizens' Oversight Committee
Santa Clarita Community College District
Santa Clarita, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Clarita Community College District's (the District) Measure E General Obligation Bond Fund (Measure E) as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's Measure E General Obligation Bond Fund (Measure E) 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 Measure E General Obligation Bond Fund (Measure E) internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure E General Obligation Bond Fund (Measure E) of the District at June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the General Obligation Bond Fund specific to Measure E are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the District's Measure E General Obligation Bond Funds (Measure E) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to solely 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 Measure E General Obligation Bond Funds (Measure E) internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure E General Obligation Bond Funds (Measure E) internal control over financial reporting and compliance.

Rancho Cucamonga, California
December 20, 2019

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

**BALANCE SHEET
JUNE 30, 2019**

ASSETS

Investments	\$ 21,257,532
Accounts receivable	130,508
Total Assets	<u><u>\$ 21,388,040</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable and accrued liabilities	<u>\$ 2,765,254</u>
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FUND BALANCE

Restricted for capital projects	18,622,786
Total Liabilities and Fund Balance	<u><u>\$ 21,388,040</u></u>

See the accompanying notes to financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES

Local revenues \$ 691,112

EXPENDITURES

Classified salaries 111,672

Employee benefits 37,909

Services and operating expenditures 11,300

Capital outlay 30,899,119

Total Expenditures 31,060,000

EXCESS OF EXPENDITURES OVER REVENUES (30,368,888)

FUND BALANCE - BEGINNING OF YEAR 48,991,674

FUND BALANCE - END OF YEAR \$ 18,622,786

See the accompanying notes to financial statements.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BONDS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of the Measure E General Obligation Bond Fund (Measure E) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's Measure E General Obligation Bond Fund (Measure E) accounts for the financial transactions in accordance with the policies and procedures for the California Community Colleges *Budget and Accounting Manual*.

Financial Reporting Entity

The audited financial statements include only the Measure E General Obligation Bonds of the Santa Clarita Community College District (the District). These funds were established to account for the expenditures of general obligation bonds issued under the Proposition 39 Measure E General Obligation Bonds. These financial statements are not intended to present fairly the financial position and the changes in the financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure E General Obligation Bond Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Measure E General Obligation Bond Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of Statement No. 35.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BONDS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balance

As of June 30, 2019, the fund balance of Measure E General Obligation Bond Fund (Measure E) was classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool. The District maintains a Measure E General Obligation Bond Fund investment of \$21,257,532 with the Los Angeles County Investment Pool, with an average maturity of 547 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2019.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 21,237,142</u>	<u>\$ 21,237,142</u>

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

NOTE 4 - ACCOUNTS RECEIVABLE

The accounts receivable at June 30, 2019, in the amount of \$130,508 represents interest earnings that have yet to be received. All amounts have been determined by management to be fully collectable.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2019, represent amounts owed to vendors for both ongoing and completed construction projects in the amount of \$2,765,254.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

Restricted for capital projects	<u>\$ 18,622,786</u>
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NOTE 7 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, the Measure E General Obligation Bonds had the following commitments with respect to unfinished capital projects:

<u>CAPITAL PROJECT</u>	Remaining Construction Commitment	Expected Date of Completion
CCC - Arts and Lecture Bldg. #4	\$ 70,000	June 30, 2025
CCC - Central Plant	1,104,807	September 1, 2019
CCC - Science-Lecture Bldg. #1	20,349,240	May 1, 2020
CCC - Student Services Learning Resources Bldg. #2	784,000	December 31, 2021
ADA Transition Plan - Phase 1	1,057,443	August 31, 2019
Bloom Fuel Cell Project	5,100	January 31, 2020
CCC - Quad Modernization - HVAC	22,560	February 29, 2020
Door and Lock Replacement - Phase 2	451,986	November 30, 2019
PE West Modernization	3,296,396	January 31, 2020
Pool Filter/Equipment Room Repair	123,511	October 31, 2019
Towsley HVAC Prop 39	37,000	August 31, 2019
ADA Transition Plan - Phase 2	502,000	June 30, 2020
Parking Lot 7 Utilities	60,130	June 30, 2020
	<u>\$ 27,864,173</u>	

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Measure E General Obligation Bond Fund (Measure E) at June 30, 2019.



INDEPENDENT AUDITOR'S REPORT



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

Board of Trustees and
Citizens' Oversight Committee
Santa Clarita Community College District
Santa Clarita, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Santa Clarita Community College District (the District) Measure E General Obligation Bond Fund (Measure E), as of and for the year ended June 30, 2019, and the related notes of the financial statements, and have issued our report thereon dated December 20, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements of the General Obligation Bond Fund specific to Measure E are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's Measure E General Obligation Bond Funds (Measure E) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's Measure E General Obligation Bond Funds (Measure E) internal control. Accordingly, we do not express an opinion on the effectiveness of the District's Measure E General Obligation Bond Funds (Measure E) internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Measure E General Obligation Bond Funds (Measure E) 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 significant deficiencies or material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure E General Obligation Bond Funds (Measure E) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Measure E General Obligation Bond Funds (Measure E) internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure E General Obligation Bond Funds (Measure E) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
December 20, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

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



Performance Audit
Measure E General Obligation Bonds Election 2016
June 30, 2019

**Santa Clarita Community
College District**

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

**PERFORMANCE AUDIT
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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Board of Trustees and
Citizens' Oversight Committee
Santa Clarita Community College District
Santa Clarita, California

We were engaged to conduct a performance audit of Santa Clarita Community College District (the District) Measure E General Obligation Bond Fund (Measure E) funds for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District's Measure E General Obligation Bond Fund (Measure E) funds are in compliance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Rancho Cucamonga, California
December 20, 2019

SANTA CLARITA COMMUNITY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BOND

JUNE 30, 2019

AUTHORITY FOR ISSUANCE

The General Obligation Bonds were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code* and other applicable provisions of law.

The Bonds are authorized to be issued by a resolution adopted by the City and County Board of Supervisors, pursuant to resolutions of the Board of Trustees of the District adopted on March 8, 2017 (the Resolution). The District received authorization from an election held on June 7, 2016, to issue Bonds of the District in an aggregate principal amount not to exceed \$230,000,000 to finance the construction, improvement, and repair of certain District facilities, the acquisition of equipment, and to pay all legal financial and contingent costs in connection with the issuance of the Bonds. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2016 Authorization). The Bonds represent the first series of the authorized bonds to be issued under the 2016 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under the 2016 Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include financing construction, acquisition, and improvement of classrooms, sites, facilities and equipment and to pay all legal financial and contingent costs in connection with the issuance of the Bonds.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.
3. Requires the community college district to appoint a citizens' oversight committee.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT MEASURE E GENERAL OBLIGATION BOND

JUNE 30, 2019

4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Measure E General Obligation Bond Fund have been made in accordance with the Bond project list approved by the voters through the approval of the Measure E.
2. Determine whether salary transactions charged to the Measure E General Obligation Bond Fund were in support of Measure E and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2018 to June 30, 2019. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019, for the Measure E General Obligation Bond Funds. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the Measure E as to the approved Bond projects list. We performed the following procedures:

1. We reviewed the general ledger and noted that funds were accounted for separately in the accounting records to allow for accountability.
2. We selected a total of 63 percent of all expenditures, which in part included all materially significant expenditures charged to the Measure E General Obligation Bond Fund. For the items selected for testing, there were no exceptions noted in the District's procedures related to the disbursement of the Measure E General Obligation Bond Fund. The District utilizes purchase orders to document the approval process for Bond disbursements and uses encumbrance accounting to ensure all approved disbursements have been budgeted and funds are available. Documentation to support transactions including approved original invoices and specific documentation related to bid procedures were reviewed to ensure compliance with Proposition 39 regulations and Board policies related to purchasing and contracts. Budgets for specific projects have been approved and monitored in accordance with Bond requirements.

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

JUNE 30, 2019

3. We selected all employees charged to the Measure E General Obligation Bond Fund. For the employees selected for testing, there were no exceptions noted in the District's procedures related to the disbursement of the Measure E General Obligation Bond Fund. The District approves all employees charged to the Measure E General Obligation Bond Fund and uses encumbrance accounting to ensure all approved disbursements have been budgeted and funds are available. Documentation to support payroll transactions included personnel files and payroll records.

Fund 48			
Description	Expenditures Incurred	Expenditures Tested	Percentage of Total
Classified Salary Expense	\$ 111,672	\$ 111,672	100%
Classified Benefits Expense	37,909	37,909	100%
Services and Operating Expense	11,300	-	0%
Capital Outlay	30,899,119	19,323,436	63%
Total	\$ 31,060,000	\$ 19,473,017	63%

We prepared a schedule of all costs incurred between July 1, 2018 and June 30, 2019, by project, for the local bond measure funding and totaling inception-to-date expenses.

2017 General Obligation Bonds Fund 48	July 1, 2018 to June 30, 2019 Actual Expenses	Inception-to-Date Expenses June 30, 2019
Repairs and Modernization	\$ 3,184,808	\$ 3,573,983
Site Upgrades	393,716	393,716
Technology	23,801	23,801
Parking Structure Valencia Campus	18,296,119	19,007,566
CCC Student Services Learning Resource	1,117,304	1,512,262
CCC Central Plant	3,351,210	3,351,210
CCC Science/Lecture Building	4,460,885	4,460,885
CCC Arts & Lecture	70,000	70,000
Secondary Effects (Renovation)	1,275	1,275
Management Personnel - Bond Implementation	149,582	291,010
Miscellaneous Expenses	11,300	17,300
Cost of Issuance and Other Uses	-	3,745,569
Total	\$ 31,060,000	\$ 36,448,577

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

JUNE 30, 2019

4. We prepared a schedule of all projects started and/or completed since the inception of the bond and the total costs incurred from the inception of the bond.

Project Description	Total Estimated Cost of Project ¹	Total Anticipated Contributions from		Total Estimated Measure E Contribution First Issuance ¹	Total GO Bond Expenditures Through June 30, 2019 ²	Total Remaining GO Bond Balance Outstanding ¹
		Other Sources - Including State Funds, Other GO Bonds, and Future GO Bond Issuances ¹				
Repairs and Modernization - Actual and Holding	\$ 16,712,929	\$ 15,931,721		\$ 781,208	\$ 491,800	\$ 289,408
PE West Modernization	6,200,000	3,173,797		3,026,203	1,712,700	1,313,503
Boykin 105 Remodel	830,161	-		830,161	830,161	-
Door and Lock Replacement Phase 2	925,000	-		925,000	463,691	461,309
ADA Transition Plan:						
ADA Buildings	4,626,111	3,475,517		1,150,594	75,632	1,074,962
ADA Site	2,585,904	1,885,904		700,000	208,000	492,000
Site Improvements	9,069,800	8,732,766		337,034	185,716	151,318
Technology/Technology Infrastructure	14,140,621	12,840,621		1,300,000	23,801	1,276,199
Parking Structure - Valencia Campus (Project also funded using Measure M)	23,872,823	4,705,877		19,166,946	19,007,566	159,380
Canyon Country Campus - Science/Lecture Building (Project also funded using Measure M)	40,731,727	24,884,027		15,847,700	4,460,885	11,386,815
Canyon Country Campus - Central Plant (Project also funded using Measure M)	7,500,000	3,090,227		4,409,773	3,351,210	1,058,563
Canyon Country Campus - Student Services Learning	30,000,000	28,000,000		2,000,000	1,512,261	487,739
Canyon Country Campus - Arts and Lecture Building	15,000,000	14,930,000		70,000	70,000	-
Secondary Effects	1,765,517	1,699,770		65,747	1,275	64,472
Management Personnel - Bond Implementation	1,575,928	1,000,500		575,428	291,010	284,418
Miscellaneous Expenses	160,960	120,960		40,000	17,300	22,700
Costs of Issuances/Debt Service Fund Contribution	3,745,569	-		3,745,569	3,745,569	-
Contingency	100,000	-		100,000	-	100,000
	<u>\$ 179,543,050</u>	<u>\$ 124,471,687</u>		<u>\$ 55,071,363</u>	<u>\$ 36,448,577</u>	<u>\$ 18,622,786</u>

¹ Estimates updated by District personnel through October 30, 2019. These estimates were not subject to verification.

² Actual costs incurred through June 30, 2019.

5. We calculated the balance available for expenditure of bond proceeds related to the approved projects within the bond project fund at June 30, 2019. As stated in the District's audited financial statements as of June 30, 2019, the expenditures from the Measure E General Obligation Bond Funds were \$31,060,000 for fiscal year 2018-2019, and total \$36,448,577 to date. Bond proceeds received to date total \$53,499,569, and interest revenue and other sources earned to date of \$1,571,794 provide \$18,622,786 available for future expenditures. There were no adjustments to the District's financial records as a result of our procedures.

CONCLUSION

The results of our tests indicated that, in all significant respects, Santa Clarita Community College District has properly accounted for the expenditures held in the Measure E General Obligation Bond Funds and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Measure E General Obligation Bond Funds, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

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