



**SANTA CLARITA COMMUNITY  
COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2018**

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2018

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December 18, 2018

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, an independent Certified Public Accounting firm that specializes in community college oversight performs audits. Their scope of work includes financial, 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 IS THE PROCESS?**

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 2017-2018 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, 2018." Since 2002, the District has received Unqualified/Unmodified Opinions on 74 of its 76 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.

### **OUR DILIGENCE ILLUSTRATES OUTCOMES**

For the last **49 years**, we have built a reputation as a statewide leader, putting our students on pathways to success, whether it is continuing with their higher education, entering the workforce or honing their skills to meet the needs of their employer. We have embraced the opportunity to deliver a long-term pipeline of well-qualified students by providing classroom training that links that same learning to jobs. It is our commitment to learning, combined with our collective teamwork, that has contributed to our collective successes and we continue to provide service to our community, our region and the state.

### ***New Initiatives, Innovative Projects & Collaboration***

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, numerous projects and efforts have reflected 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:

- Initiated **internship program with the City of Santa Clarita** where our students had the opportunity to work one-on-one with City building inspectors obtain invaluable hands-on experience from seasoned professionals;
- Formed a partnership with Goodwill Southern California to form the **Strong Workforce Apprenticeship Group (SWAG)**, in an effort to expand apprenticeships and provides COC students and employees of participating companies with skilled training and hands-on experience through apprenticeships at local businesses;
- Expanded **Zero Cost Non-Credit Courses**, offering **57 non-credit class sections** among the 2,000 class sections offered during Fall 2017, marking a **36% increase** from Fall 2016.
  - Designed to help students and community members improve their language and study skills and/or transition into a collegiate academic setting.
  - Included English as a Second Language (ESL), GED preparation, basic skills, computer applications, and web technology, as well as citizen preparation classes.
- Received **\$311,432 in grant funding for our Makerspace** initiative, which
  - Expands Makerspaces, supports innovation, and it is renewable.
  - Provides technology, manufacturing equipment and education opportunities to design, prototype, and create manufactured items.
  - Enhances community collaboration and teaching, enabling students, faculty, and business owners to interact in ways that enrich the education of our students.
- Joined the statewide effort to expand College Promise by launching the **First-Year Promise Campaign**;
  - Raised **\$445,000** of our **\$500,000** goal to provide **500 students** the opportunity to attend their first year at College of the Canyons, for free;

- Exploring fundraising opportunities to extend the benefits of the First Year Promise Program beyond the term of the grant;
- Partnered with Lincoln Electric to provide training and became the first official **Lincoln Electric Education Partner School (LEEPS)** in the nation by providing certified robotic training to Lincoln Electric clients engaged in robotic arc welding systems;
- Launched the **Resources for Individual Success in Education (RISE) Project** to help improve access to higher education for current and former foster or homeless youth.
  - Provides students with counseling, priority registration, progress monitoring, and assistance with the purchase of textbooks, meals, and transportation.
  - Offers access to on-campus shower facilities, personal care supplies, workshops, snacks, and resources referrals;
- Were awarded a **Zero Textbook Cost (ZTC) grant of \$150,000** to develop a ZTC Certificate in Early Childhood Education and based on a performance period of January 2018 through December 2018;
- Recognized at the state and national levels for our impressive student outcomes and honored as one of the top three colleges in California for significantly increasing the number of students who earn an **Associate Degree for Transfer (ADT)** and increased the number of ADTs awarded between 2013 and 2017 by **703 percent**;
  - Ranked among the **top three** community colleges in Los Angeles County for the percentage of students who transfer to a four-year university;
  - Ranked **No. 2 in the state** for the percentage of college-prepared students who complete a degree or certificate or who are prepared to transfer to four-year universities; a result of nearly **80 percent**;
- Designated as a partner with the *New World of Work*, incorporating the Uniquely Abled Program, in collaboration with the Economic Development Department, to embed skills lessons across disciplines in both CTE and GE coursework;
  - Graduated and placed the first class of students from our **Uniquely Abled Academy**, which trains students for entry-level positions as CNC operators and machinist apprentices;
- Participated in the **CASE (Council for Advancement & Support of Education) Professionals Conference and the Title V Developing Hispanic-Serving Institutions Conference** to discuss and learn about grant development strategies and best practices;
- Hosted the "**Doing What Matters**" **CEO Institute** at the 2018 Trustees Conference, supported by the Chancellor's Office on Workforce and Economic Development, at the 2018 Trustees Conference to provide an opportunity for CEOs to interact with business leaders, external partners and leaders in the workforce and economic development sectors in California, as well as with each other;
- Led the **2018 Deans Symposium** in conjunction with the California Community Colleges Chancellor's Office Division of Workforce and Economic Development which focused on a variety of leadership skills that align workforce needs and the statewide "*Vision for Success*" goals;
- Became the first Nursing program in California to achieve accreditation through the **National League for Nursing**;
- Received approval of our **Paralegal Studies Program** by the American Bar Association (ABA) site team, determining that the program is compliant for continuance;
- Recognized 18 of COC's programs as "**Strong Workforce Stars**" by the California Community Colleges Chancellor's Office, for helping students launch new careers or increase their salaries as well as demonstrating an increase in earnings in one or more of the following metrics:

- 50% or more, based on a match to the state wage file, for students who were last enrolled in 2015-16;
- Attainment of the regional living wage by 70% or more, based on a match to the state wage file, for students who were last enrolled in 2015-16;
- 90% or more are employed in a job similar to their field of study, according to the CTE Outcomes Survey, for student who were last enrolled in 2014-15;
- Awarded **\$12,000 in Foundation mini-grants** to faculty to support creating unique learning opportunities through biodiversity projects, academic competitions, biomedical device engineering, and incorporating a cadaver into science classes;
- Received a **mini-grant** by the Association of American Colleges and Universities for our **Civic and Community Engagement Initiative**;
  - Identified as one of 24 mini-grants awarded to institutions nationwide from a pool of 134 applications.
  - Designed to help advance civic learning and social responsibility;
- **Shattered commencement records with 2,232 students graduating**, a 9.1% increase over 2017;
  - Awarded **3,118 degrees** (a 32% increase from 2017), from 111 majors;
  - Graduated **590 students with honors (3.5 GPA or higher); 50 students with a perfect 4.0 GPA; and an average GPA of 3.14;**
  - Achieved a **79%** increase in the number of Hispanic students who were awarded a degree.
- Generated **\$14.4 million** in grant funds during 2017-2018 to launch new and innovative programs, receiving over **\$91 million in grants over the last 10 years.**
- Supported the **passage of Assembly Bill 705**, which helps more students succeed in completing a degree, certificate or transfer by ensuring access to college-level courses when first entering a community college.

### ***Student Involvement, Achievement and Success***

We champion the involvement of our student body, celebrate their achievements and promote their success. We have:

- Served more than **32,000 individual students**; each with unique aspirations and awarded nearly **\$200,000 in scholarships**;
- Celebrated our **Model UN Team**, which ranked among the **top 50 teams in the nation** (including teams from four-year institutions) and at the annual conference, our team won 35% of all awards but represented less than 14% of the delegates;
- Sent a student experiment aloft through **NASA's High Altitude Student Platform (HASP)** program, becoming the only community college selected for HASP three years in a row;
- Congratulated our **Future Business Leaders of America** team as they competed against teams from prestigious four-year universities, **winning 10 medals** at the 2018 State Conference and recognized for having the second largest increase in membership over the previous year statewide;
- Recognized the **COC Architecture & Design students** for the **third time in 4 years** by the **International Interior Design Association, Southern California Chapter**;
- Selected **COC Interior Design students** to participate as designers in the **Henry Mayo Newhall Hospital 2018 Holiday Home Tour**;
- Continued to excel in our athletic endeavors; including:
  - **Football** earned its first **Bowl Game win** at the **2017 Western State Bowl**;

- **Women's Volleyball** made it to the **2017 CCCAA Women's Volleyball State Championship** semi-final round;
- **Women's Soccer** won the **2017 Western Conference, East Division** championship, their 7<sup>th</sup> in a row;
- **Cross Country** capped their season by sending **two runners to compete at the 2017 CCCAA State Championships**;
- **Women's Golf** team placed 7<sup>th</sup> in the **2017 CCCAA State Championships**;
- **Men's Golf** team won the **2018 CCCAA State Regional Championship** for the sixth time in program history;
- **Softball** finished the season as **2018 Western State Conference, East Division Champions**;
- **Track and Field** brought home **three 2018 All American Designations**;
- **Swim and Dive** competed at the **2018 CCCAA Swim and Dive State Championships**;
- **Baseball** finished the **Western State Conference, East Division** in 2<sup>nd</sup> place; and
- **Women's Tennis**, in its inaugural season, sent **four student-athletes to the 2018 CCCAA Southern California Regional Tournament**.

### ***Community Partnerships and Building the Economy***

We have continued to enhance our abilities and build relevant and creative partnerships, which have boosted our fiscal base, resulting in an expansion of student access, support, outreach, and service to our community. We have:

- Hosted the **California Acceleration Project Summer Institute** where 200 English and Math community college faculty from around Southern California came to learn about high leverage strategies to dramatically increase student success;
- Marked the **35<sup>th</sup> anniversary of the Center for Early Childhood Education**;
- Celebrated the **10-year anniversary** of our 70 acre **Canyon Country Campus**, having offered more than **5,000 classes** and serving more than **50,000 students**;
- Broke ground on the **55,000 square-foot Science Center** at the Canyon Country Campus, which will open **eight new labs** for students and help alleviate the long waitlists that STEM majors experience when trying to register for lab classes;
- Building a much-needed **parking structure on the Valencia Campus**, which will provide spaces for 1,659 cars and will open early February 2019;
- Received a lead donation of **\$50,000 from the Sand Canyon Country Club** as a two year commitment to support 50 First-Year Promise students and raised about **\$472, 017** since the College Promise campaign initiated in 2017;
- Held the **Michael Hoefflin Foundation's 9<sup>th</sup> Annual Walk for Kids** here on campus to raised funds for this local non-profit that assists children diagnosed with cancer and their families.
- Hosted our annual **Women's Conference, "Making the Most of Your Life,"** which featured an exciting lineup of presenters and breakout sessions centered on the interests of women in our community;
- Offered our **Star Party** at the Canyon Country Campus which included a scientist from the Jet Propulsion Laboratory, interactive demonstrations and activities for the over 500 community attendees;
- Held the **1<sup>st</sup> Annual Makerspace Festival** on campus, with approximately 2500 participants from 35 schools and organizations and showcasing 53 booths that offered hands-on activities, demonstrations and displays;



- Hosted the 6<sup>th</sup> annual "**Shine a Light on Suicide Prevention and Awareness Event**" where resource tables were staffed by community providers to offer resources and support for students;
- Worked with the **South Bay Workforce Investment Board** for our CNC Fast Track Program having a **100% job placement rate** for the recent cohort; noting we have been running cohorts through the Fast Track Program for many years and have maintained a **90%** job placement rate;
- Awarded by the **California Employment Training Panel (ETP)**, **\$647,584** to conduct skills training for employees at local companies, bringing our total amount of ETP contracts awarded since 1996 to **over \$6 million**;
- Launched the state's first **GIG Economy pilot project**, which will help students build careers in self-employment through the online "gig" economy.
- Achieved a **90 percent** graduation/placement rate from our Advanced Manufacturing Program;
- Received another **\$647,584** Employment Training Panel (ETP) grant for the Employee Training Institute to provide customized training to local companies, raising our ETP funding total to **\$6 million** since 1996 – the most of any community college in the state;
- Named by **Washington Monthly magazine** named COC as one of the "**Best Two-Year Colleges for Adult Learners**" - **#1** in Southern California and **#43** nationally;
- Expanded **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;
- Generated **\$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.
- Continued 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 three years;
- Generated **\$17.4 million of sales growth and \$26.9 million of capital infusion** through the services offered by our Small Business Development Center.

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. We have continued to work energetically with the **Santa Clarita Valley Economic Development Corporation** and community partners to prepare for future demands in our local economy, and ensure its long-term growth and vitality. In addition, our **Santa Clarita Valley Business Alliance** continues to meet on a regular basis, engaging local chief executive officers to solicit information based on their needs and trends in workforce training and development.

### ***We Stand Out from the Rest***

Our position as a leader among community colleges is illustrated in the external recognitions of our efforts in the 2017-18 fiscal year. We have:

- Received "**Best Chef in Town**" award for ICue Instructor, Chef Daniel Otto by Elite Magazine; as well as the **Idaho Potato Commission Innovation award** for Culinary Arts instructor, Chef Herve Guillard who received the Culinary Award for classroom innovation;
- Received the **L.A. Paralegal Association Pro Bono Award** for Nicole Faudree, the Department Chair of the Paralegal Studies Program, which has provided more than 14,750

hours of unpaid time through internships in the Cooperative Work Experience program, including internships at Neighborhood Legal Services;

- Received the **Lifetime Achievement Award** for Dr. Dianne Van Hook, the Chancellor of the Santa Clarita College District, from the Business Journal;
- Accepted two Chancellor's Office Technology Awards for the **Technology Focus Award (the Amazon Project)** the **Technology Leadership Award** for Dr. Jim Temple, the Vice President of Technology, which focuses on streamlining and improving the student registration process;
- Accepted the **American Welding Society Plummer Lecturer Award & Plummer Memorial** education awards which recognizes the outstanding contributions by our Welding Department Chair, Tim Baber;
- Honored as the "**Education Partner of the Year**" by the **Archdiocesan Youth Employment Services (AYE)** for providing job training for participants of the "This Way Ahead – Los Angeles," which provides students with the necessary customer service skills that enable them to deliver exceptional, high-quality customer service in a variety of positions;
- Received the **Band of Brothers & Sisters Excellence Award** from the Student Veterans of America and COC Foundation donors for the work of three students engaged in military service and active duty reserves;
- Selected our **Center for Applied and Competitive Technologies (CACT)** as the "**2018 Employer & Service Provider**" by the SCV Mayor's Committee;
- Honored by the SCVi LEAD Schools as the **SCVi Founders Family Vision Honoree and the Leader in Education**;
- Received the **Global Award for Promoting OER** for the work of one of our graduates who designed and created the marketing campaign for OER at COC; designing the ZTC degree logo and facilitation sessions for statewide faculty at our OER summits;
- Honored by the **Campaign for College Opportunity** as one of the "**2018 Champions of Higher Education**" for our work in awarding ADTs;
- Received the **National Council for Marketing & Public Relations - District 6** award our **Public Information Office with 9 Medallion Awards** for various publications and digital media;
- Ranked by the **Hispanic Outlook on Education** magazine as **#29 in the nation** in their Top 100 colleges and universities list for graduating Hispanic students;
- Recognized by **Washington Monthly** magazine as one of **America's Best Colleges for Student Voting**;
- Confirmed our **AAA Stable Outlook** rating on our bonds by **FitchRating**;
- Selected to serve by Dr. Dianne Van Hook on the **Bipartisan Policy Center** in Washington, D.C. to join its Higher Education Task Force. This consists of 18 former policymakers and high-profile individuals – senators, governors, congress people and a few higher education leaders - to make recommendations towards reforming financial aid, accreditation and certification standards and other issues that are affecting higher education at the national level.

### ***Statewide Leadership***

We have continued to take on a variety of leadership roles for a number of Statewide initiatives and programs, including:

- Moving forward in our role as the coordinator for the **Institutional Effectiveness Partnership Initiative (IEPI)**, a Statewide collaborative effort to advance the effectiveness of California Community Colleges with the goal of reducing 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 nearly **90 colleges, districts and centers**;

- Leading the way in "**Doing What Matters**," an important initiative from the State Chancellor's Office Division of Workforce and Economic Development, working to bridge the skills and jobs mismatch and prepare California's workforce for 21<sup>st</sup> century careers;
- Moving forward in our role for the **South Central Coast Regional Consortium (SCCRC) Steering Committee**, which facilitates and promotes effective regional initiatives for its member colleges and key stakeholders in support of local, regional, and statewide workforce development efforts.
- Being selected as **1 of 20** California Community Colleges to participate in the **California Guided Pathways Initiative** through the Aspen Institute, taking on the important work of prioritizing transfer student success, creating clear program pathways with aligned high-quality instruction, providing tailored transfer student advising and building stronger transfer partnerships.
- Launching **College Promise "First-Year Promise"** program to provide increased opportunities for new full-time college students to achieve their educational goals by waiving tuition and fees during the first year of study. This program was initially funded through a \$750,000 grant from the California Community Colleges Chancellor's Office. College of the Canyons was **1 of 14** colleges from a field of 51 awarded a California College Promise Innovation Grant.
- Expanding our leadership role in the continued development of **Open Educational Resources (OER)**, an alternative to costly textbooks by providing freely accessible, openly licensed text, media, and other digital assets that are useful for teaching, learning, assessing, and researching purposes.

## **IN SUMMARY**

This report confirms the District's consistent practice of complying with general accounting standards, anticipating new requirements, and maintaining adequate internal budget controls. As a result, we have been able to safeguard the assets of the District. We always commit to regularly assessing and strengthening our processes as needed to help us maintain fiscal integrity, program integrity, and compliance with State and Federal regulations and as such stand out from the rest.

In summary and as illustrated above the District has demonstrated its commitment to:

- ✓ 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 increased growth via strategic enrollment management and student access; increasing fiscal resources through a commitment to enhancing: grant writing, the district's Foundation and possible funds through refinement of the Student Centered Funding Formula;
- ✓ 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 develop a budget plan that supports enrollment management; growth of our fiscal resources; professional development of our most important resource – our faculty and staff; and fiscal stability both now and in the future.

As we near our 50<sup>th</sup> anniversary, we are at a stage in the life of the College where we look forward to:

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December 18, 2018

- Completing the physical build-out of the Valencia Campus parking structure by early 2019;
- Continuing and completing the construction of permanent buildings at the Canyon Country Campus, including plans for six two-story buildings totaling 240,000 square feet (including the Science Center);
- Finalizing the fundraising campaign for the **First Year Promise** program to extend it beyond the life of the grant; and
- Adding faculty and initiating new curriculum, technology, programs, and partnerships that will enable us to meet our community's needs and continue to enhance the transfer possibilities for our students.

As we move forward with action plans to achieve our Strategic Goals and implement our Comprehensive Plan, we reaffirm our commitment to serve our community with the same high standards, quality educational programs, and innovative partnerships that have formed the foundation of the current success at College of the Canyons. We are poised to meet the community's evolving needs with enthusiasm, energy, optimism, ambitious and aspirational goals, and an entrepreneurial spirit.

Sincerely,



Dr. Dianne G. Van Hook  
Chancellor

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***FINANCIAL SECTION***

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**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, 2018, 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 opinions 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 2017-2018 *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 opinions.

## **Opinions**

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 2 and Note 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **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 53 and other required supplementary schedules on pages 107 through 110 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 the other supplementary information 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 18, 2018, 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.



Rancho Cucamonga, California  
December 18, 2018



## **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, 2018. This report was prepared using a government-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, 2018

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### COMPONENTS OF THE ANNUAL REPORT

The 2017-18 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 54 through 57.

#### 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 \$(24,794,922):

- **\$47,810,704 in Net Investment in Capital Assets.** This category includes the ending fund balances in two General Obligation Bond funds (Fund 46 - \$10,442,172 and Fund 48 - \$48,991,673) for a total of \$59,433,845. GASB 35 manual entries are then applied as follows: **Add** the value of capital assets based on acquisition cost of \$363,629,103, **deduct** accumulated depreciation of \$90,173,856, **add** the value of debt issuance expenses (costs of issuance) amortized over the life of the debt of \$5,484,849, **deduct** related debt (General Obligation Bond debt, Certificates of Participation, and notes payable) of \$290,563,237.
- **\$13,449,667 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 – \$17,098,668) and the second for all other debt repayment (Fund 29 - \$702,446) for a total of \$17,801,114. GASB 35 manual entries are then applied as follows: **Deduct** un-matured interest on long-term obligations of \$4,351,447. 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.
- **\$4,623,257 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, 2018 - except the General Obligation Bond Fund.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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- **\$2,676,696** 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.
- **\$605,556** 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.
- **\$(93,960,802)** 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 \$26,720,125.

GASB 35 manual entries are then applied as follows: **Deduct** other District liabilities from early retirement incentives, compensated absences, and Net OPEB obligation of \$19,314,141 **deduct** Trust and Agency funds containing amounts held in trust on behalf of others (Fund 72, Fund 69, and Associated Student Government) of \$9,018,574, **deduct** general obligation bond capital appreciation bond accreted interest to date of \$12,302,607, and **deduct** the District's share of STRS and PERS aggregate net pension obligations and related adjustments of \$80,045,607. 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.

### **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).

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

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### 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 June 30, 2018. The District's current actuarial accrued liability is \$12.9 million. Although the District set aside over \$7.4 million towards this liability in a Retiree Benefits fund as of June 30, 2018, 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, 2018. 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

### 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

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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- 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, 2018

### CONDENSED FINANCIAL INFORMATION - GOVERNMENT-WIDE

The detailed government-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)

	2018	(as restated) 2017	Change 2017-2018
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 119,510	\$ 129,363	\$ (9,853)
Accounts receivable	8,365	10,575	(2,210)
Other current assets	1,208	1,172	36
Total Current Assets	<u>129,083</u>	<u>141,110</u>	<u>(12,027)</u>
Capital Assets (net)	<u>273,455</u>	<u>266,108</u>	<u>7,347</u>
Total Assets	<u>402,538</u>	<u>407,218</u>	<u>(4,680)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	5,485	5,680	(195)
Deferred outflows of resources related to pensions	33,271	21,701	11,570
Total Assets and Deferred Outflows	<u>\$ 441,294</u>	<u>\$ 434,599</u>	<u>\$ 6,695</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued interest payable	\$ 23,179	\$ 23,425	\$ (246)
Unearned revenue	6,795	7,558	(763)
Current portion of long-term obligations	12,870	4,968	7,902
Total Current Liabilities	<u>42,844</u>	<u>35,951</u>	<u>6,893</u>
Long-Term Obligations	<u>418,319</u>	<u>414,301</u>	<u>4,018</u>
Total Liabilities	<u>461,163</u>	<u>450,252</u>	<u>10,911</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	4,926	2,721	2,205
Total Liabilities and Deferred Inflows	<u>466,089</u>	<u>452,973</u>	<u>13,116</u>
<b>NET POSITION</b>			
Net investment in capital assets	47,811	53,401	(5,590)
Restricted	21,355	16,072	5,283
Unrestricted	<u>(93,961)</u>	<u>(87,847)</u>	<u>(6,114)</u>
Total Net Position	<u>(24,795)</u>	<u>(18,374)</u>	<u>(6,421)</u>
Total Liabilities, Net Position, and Deferred Inflows	<u>\$ 441,294</u>	<u>\$ 434,599</u>	<u>\$ 6,695</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### Current Assets

The District's Total Current Assets at June 30, 2018 were valued at \$129.1 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, 2018 were \$273.5 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, 2018 were valued at \$38.8 million and increases the net worth of the District.

### Total Assets and Deferred Outflows

Total Assets and Deferred Outflows at June 30, 2018 of \$441.3 million reflected an **increase of \$6.7 million** from June 30, 2017. This increase can be analyzed as follows:

- \$(9.8) million **decrease** in cash and investments in the LA County Treasury was attributable to decreased 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 decrease was largely due to spending down of General Obligation Bond funds for construction projects such as the Valencia campus parking structure and the Canyon Country campus Science Building.
- \$(2.2) million **decrease** in accounts receivable was attributable to lower accounts receivable balances for grant and categorical funding. A major contributing factor to the decrease in accounts receivable is the implementation of a new FISCAL system for State grants which allows the District to invoice as expenses are incurred instead of waiting for a final payment after the end of the fiscal year. This allows the District to receive cash from the State Chancellor's Office in a timelier manner. The District had expenditures against 113 grant and categorical programs in 2017-18.
- \$0.04 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 2018-19 fiscal year. Several vendors required pre-payment by June 30, 2018 in order to guarantee uninterrupted service for the next fiscal year.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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- \$7.3 million **increase** in capital assets was attributable to new construction and equipment, which increased fixed assets by \$16.1 million, offset by depreciation expense for the fiscal year of \$8.8 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.
- \$11.6 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. Also, with the implementation of GASB 75, changes were made in the interest assumptions for unfunded plans, it is now based on a 20 year GO Bond Index which resulted in a reduction from 4.5% to 3.8% resulting in a higher liability. As of June 30, 2015, GASB 68 requires the District to include its proportionate share of the CalSTRS and CalPERS pension systems' financial information in the Annual Financial Report. This pension information includes the District's share of any underfunding (liability) or overfunding (asset) based on the two pension systems' current financial health. In addition to reporting the pension liability or asset, information on deferred outflows and deferred inflows of resources related to the pension systems are included in the Financial Report. As of June 30, 2018 GASB 75 requires the District to include the entire amount of its Post-Employment Benefit liability instead of a prorated portion, which greatly increased our liability and deferred outflows. 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 \$33.3 million at June 30, 2018, an increase of \$11.6 million from the \$21.7 million reported at June 30, 2017, and consisted of entries for:
  - The District's pension contributions after the date of the latest available actuarial study, which is June 30, 2018.
  - 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, Early Retirement Incentives, and net Other Postemployment Benefits obligations). The District's Total Current Liabilities at June 30, 2018 were \$42.8 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, Early Retirement Incentives, and net Other Postemployment Benefits obligations), and totaled \$418.3 million at June 30, 2018.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### Total Liabilities and Deferred Inflows

Total Liabilities and Deferred Inflows at June 30, 2018 of \$466.1 million reflected an **increase of \$13.1 million** from June 30, 2017. This increase can be analyzed as follows:

- \$(0.2) million **decrease** in accounts payable and accrued interest payable due to a \$(0.5) million **decrease** in accounts payable as compared to the previous year, partially offset by a \$0.3 million **increase** in the value of accrued interest payable (un-matured interest on General Obligation Bonds).
- \$(0.8) million **decrease** in unearned (deferred) revenue due to the implementation of the new FISCAL system for State grant and categorical funding which decreases the advanced funds received for 2018-19 fiscal year from State Grants.
- \$7.9 million **increase** in current portion of long-term obligations other than pensions due to a higher amount due in one year for the 2016 and 2017 Series General Obligation Bond and the 2017 Refunding of Certificate of Participation, payment in full of the 2006 Certificate of Participation and the refunding of the 2009 Certificate of Participation.
- \$4.0 million **increase** in the District's Long-Term Obligations. STRS and PERS is a \$14.9 million increase for the Aggregate Net Pension Obligation, from \$93.5 million to \$108.4 million (STRS increased from \$52.0 million to \$57.0 million, a \$5.0 million increase and PERS increased from \$41.5 million to \$51.4 million, a \$9.9 million increase). There was a \$(12.9) million decrease in General Obligation Bonds, Early Retirement Plan Liability and Compensated Absences Long-Term Obligations due to these payments being due within one year. There was also an increase of \$1.3 million in General Obligation Bond payments due to accreted interest as well as \$0.7 million increase in Compensated Absences.
- \$2.2 million **increase** in deferred inflows of resources due to higher 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, 2018 was \$(24.8) million. Total Net Position (formerly Total Net Assets) is the sum of all Assets and Liabilities. Beginning with the June 30, 2015 Annual Financial Report, the 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. Also, beginning with the June 30, 2018 Financial Report the new accounting pronouncement of **GASB 75** requires that the District recognize the full Post Employment Benefit Liability in the financial statements instead of a prorated portion.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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

(Amounts in thousands)

	2018	2017	Change 2017-2018
Operating Revenues			
Tuition and fees, net	\$ 13,614	\$ 13,225	\$ 389
Federal, State, and Local grants and contracts	27,531	33,008	(5,477)
Total Operating Revenues	<u>41,145</u>	<u>46,233</u>	<u>(5,088)</u>
Operating Expenses			
Salaries and benefits	114,885	106,301	8,584
Supplies, maintenance, and other expenses	49,681	61,688	(12,007)
Depreciation	8,986	8,667	319
Total Operating Expenses	<u>173,552</u>	<u>176,656</u>	<u>(3,104)</u>
Operating Loss	<u>(132,407)</u>	<u>(130,423)</u>	<u>(1,984)</u>
Nonoperating Revenues			
State apportionments	61,201	58,478	2,723
Property taxes	26,299	24,421	1,878
Taxes levied for other specific purposes	16,960	10,459	6,501
Federal and State financial aid grants	18,697	19,832	(1,135)
State revenues	4,821	5,319	(498)
Net interest expense	(10,596)	(10,471)	(125)
Investment income	1,706	812	894
Other nonoperating revenues and transfers	1,775	9,104	(7,329)
Total Nonoperating Revenue	<u>120,863</u>	<u>117,954</u>	<u>2,909</u>
Other Revenues and (Losses)			
State and local capital income	5,421	848	4,573
Loss on disposal of capital assets	(298)	(43)	(255)
Total Other Revenues and (Losses)	<u>5,123</u>	<u>805</u>	<u>4,318</u>
Change in Net Position	<u>\$ (6,421)</u>	<u>\$ (11,664)</u>	<u>\$ 5,243</u>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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

(Amounts in thousands)

	2018	2017	Change 2017-2018
Cash From			
Operating activities	\$ (118,232)	\$ (149,197)	\$ 30,965
Noncapital financing activities	112,769	150,026	(37,257)
Capital financing activities	(5,931)	56,744	(62,675)
Investing activities	1,541	741	800
Net Change in Cash	(9,853)	58,314	(68,167)
Cash, Beginning of Year	129,363	71,049	58,314
Cash, End of Year	<u>\$ 119,510</u>	<u>\$ 129,363</u>	<u>\$ (9,853)</u>

**FUNCTIONAL EXPENSES CLASSIFICATION  
For the Year Ended June 30, 2018**

The District's operating expenses by functional classification for the fiscal year ended June 30, 2018, 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	\$ 62,962	\$ 3,692	\$ 8,803	\$ 1,573	\$ 3,710	\$ 80,740
Academic support	4,431	298	254	207	300	5,490
Student services	12,661	805	1,141	144	808	15,559
Community services and economic development	4,611	401	1,500	12	403	6,927
Institutional support	15,362	1,801	8,441	2,052	1,810	29,466
Plant operations and maintenance	3,982	(7,601)	3,612	7	-	-
Ancillary services and auxiliary operations	9,417	604	1,361	156	607	12,145
Student aid	-	-	18,507	-	-	18,507
Physical property and related acquisitions	1,460	-	317	1,593	1,348	4,718
Total	<u>\$ 114,886</u>	<u>\$ -</u>	<u>\$ 43,936</u>	<u>\$ 5,744</u>	<u>\$ 8,986</u>	<u>\$ 173,552</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### FINANCIAL INFORMATION BY FUND

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

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

**The District's accounting system contained twenty-two separate funds in 2017-18. These funds can be separated into major categories, with each category representing a different area of focus:**

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

<b><u>General Funds</u></b>		
	<b>Unrestricted General Fund (Fund 11)</b>	<b>Restricted General Fund (Fund 12)</b>
Revenue	107,155,123	29,188,254
Transfers In (from Other Funds)	630,886	1,341,112
Expenditures	(104,568,606)	(29,344,448)
Transfers Out (to Other Funds)	<u>(2,988,277)</u>	<u>(947,662)</u>
<b>Subtotal</b>	<b>229,126</b>	<b>237,256</b>
Fund Balance, Beginning of Year	<u>10,632,165</u>	<u>2,439,440</u>
<b>Fund Balance, End of Year</b>	<b>10,861,291</b>	<b>2,676,696</b>
<i>Fund Balance Percentage</i>	<i>10.10%</i>	

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

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- **Debt Service Funds**

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

<b><u>Debt Service Funds</u></b>		
	<b>GO Bond Interest and Redemption Fund (Fund 21)</b>	<b>District Debt Service Fund (Fund 29)</b>
Revenue	18,022,425	20,781
Transfers In (from Other Funds)	-	804,832
Expenditures	(13,274,211)	(286,727)
Transfers Out (to Other Funds)	-	-
<b>Subtotal</b>	<b>4,748,214</b>	<b>538,886</b>
Fund Balance, Beginning of Year	12,350,454	163,560
<b>Fund Balance, End of Year</b>	<b>17,098,668</b>	<b>702,446</b>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

- **Special Revenue Funds**

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

<b><u>Special Revenue Funds</u></b>				
	<b>Cafeteria Fund (Fund 32)</b>	<b>Child Development Center Fund (Fund 33)</b>	<b>Asset Management Fund (Fund 37)</b>	<b>Student Center Remodel Fund (Fund 39)</b>
Revenue	75,496	1,153,582	279	206,182
Transfers In (from Other Funds)	-	75,000	-	-
Expenditures	(69,738)	(1,279,916)	-	-
Transfers Out (to Other Funds)	-	-	-	(187,085)
<b>Subtotal</b>	<b>5,758</b>	<b>(51,334)</b>	<b>279</b>	<b>19,097</b>
Fund Balance, Beginning of Year	43,493	210,903	17,825	586,459
<b>Fund Balance, End of Year</b>	<b>49,251</b>	<b>159,569</b>	<b>18,104</b>	<b>605,556</b>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

- **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 2017-18, 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.

<b><u>Capital Projects Funds</u></b>			
	<b>State Construction Fund (Fund 41)</b>	<b>Locally Funded Capital Projects Fund (Fund 43)</b>	<b>Scheduled Maintenance Fund (Fund 44)</b>
Revenue	571,393	266,665	73
Transfers In (from Other Funds)	-	142,520	-
Expenditures	(426,797)	(602,672)	-
Transfers Out (to Other Funds)	-	-	-
<b>Subtotal</b>	<b>144,596</b>	<b>(193,487)</b>	<b>73</b>
Fund Balance, Beginning of Year	592,679	3,822,002	4,650
<b>Fund Balance, End of Year</b>	<b>737,275</b>	<b>3,628,515</b>	<b>4,723</b>

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

<b><u>Capital Projects Funds, Continued</u></b>				
	<b>Measure M GO Bond Fund- Second Issuance (Fund 46)</b>	<b>Measure M GO Bond Fund - Third Issuance (Fund 47)</b>	<b>Measure E GO Bond Fund - First Issuance (Fund 48)</b>	<b>Replace Field Turf Fund (Fund 49)</b>
Revenue	223,661	108,842	776,998	28,542
Transfers In (from Other Funds)	-	-	-	25,000
Expenditures	(4,660,993)	(11,587,212)	(1,638,887)	-
Transfers Out (to Other Funds)	-	-	-	-
<b>Subtotal</b>	<b>(4,437,332)</b>	<b>(11,478,370)</b>	<b>(861,889)</b>	<b>53,542</b>
Fund Balance, Beginning of Year	14,879,504	11,478,370	49,853,563	199,202
<b>Fund Balance, End of Year</b>	<b>10,442,172</b>	<b>-</b>	<b>48,991,674</b>	<b>252,744</b>



**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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

<b><u>Enterprise Funds</u></b>			
	<b>K-12 Arts Education Outreach (Fund 57)</b>	<b>Performing Arts Center Fund (Fund 58)</b>	<b>Employee Training Institute Fund (Fund 59)</b>
Revenue	256,797	486,690	1,018,911
Transfers In (from Other Funds)	-	-	-
Expenditures	(265,144)	(435,973)	(836,394)
Transfers Out (to Other Funds)	-	(18,448)	-
<b>Subtotal</b>	<b>(8,347)</b>	<b>32,269</b>	<b>182,517</b>
Fund Balance, Beginning of Year	34,838	32,026	66,738
<b>Fund Balance, End of Year</b>	<b>26,491</b>	<b>64,295</b>	<b>249,255</b>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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- **Internal Service Funds**

- Funds in this group are used to accumulate moneys and record costs of other internal services such as State Teachers' Retirement System (STRS) and Public Employees' Retirement System (PERS) District contributions, and retiree health benefits as delineated in employee bargaining agreements.
- In 2015-16 the District added Fund 68, the STRS and PERS Liability Fund, in response to the legislatively mandated increases to STRS rates and anticipated increases to PERS rates.
  - STRS rates for District contributions will increase over 132% in seven years, moving from 8.25% in 2013-14 to 19.10% in 2020-21.
  - PERS rates adjust annually based on updated actuarial valuations, and are estimated to increase by 115% in eight years, moving from 11.44% in 2013-14 to 24.6% in 2021-22.

<b><u>Internal Service Funds</u></b>		
	<b>STRS/PERS Liability Fund (Fund 68)</b>	<b>Retiree Benefits Fund (Fund 69)</b>
Revenue	95,012	96,465
Transfers In (from Other Funds)	-	991,196
Expenditures	-	(350,807)
Transfers Out (to Other Funds)	-	-
<b>Subtotal</b>	<b>95,012</b>	<b>736,854</b>
Fund Balance, Beginning of Year	6,061,592	6,333,569
<b>Fund Balance, End of Year</b>	<b>6,156,604</b>	<b>7,070,423</b>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

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- **Trust Funds**

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

<b><u>Trust Funds</u></b>		
	<b>Student Representation Fund (Fund 72)</b>	<b>Financial Aid Fund (Fund 74)</b>
Revenue	52,526	18,706,980
Transfers In (from Other Funds)	-	132,726
Expenditures	(17,727)	(18,859,216)
Transfers Out (to Other Funds)	<u>(1,800)</u>	<u>-</u>
<b>Subtotal</b>	<b>32,999</b>	<b>(19,510)</b>
Fund Balance, Beginning of Year	<u>281,402</u>	<u>136,203</u>
<b>Fund Balance, End of Year</b>	<b>314,401</b>	<b>116,693</b>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### REVENUES

#### **HISTORY OF UNRESTRICTED GENERAL FUND REVENUES**

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 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.

##### **Fiscal Year 2017-18**

In 2017-18, the State provided 1% in Growth funding and 1.56% statutory COLA. Our District closed the year achieving 1.12% growth, and was fully funded for this "over-cap" growth because many other Districts were not growing.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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

	2015-16	2016-17	2017-18
General Apportionment (Includes Access and COLA funding from Prior Year)	\$ 41,878,196	\$ 43,065,691	\$ 45,119,614
Education Protection Act	\$ 12,569,724	\$ 12,239,190	\$ 12,620,789
Access (To Restore Cuts) or Growth	\$ 3,030,078	\$ 2,871,455	\$ 944,057
COLA	\$ 774,957	\$ -	\$ 1,388,963
Property Taxes	\$ 18,573,893	\$ 23,814,445	\$ 25,532,298
Enrollment Fees	\$ 7,893,711	\$ 8,584,803	\$ 8,483,380
Lottery	\$ 2,308,018	\$ 2,504,240	\$ 2,736,034
One-Time Mandated Cost Reimb.	\$ 8,499,273	\$ 1,459,812	\$ 458,875
STRS On-Behalf Payments	\$ 1,719,841	\$ 2,486,812	\$ 2,440,674
Other State Revenues	\$ 1,143,138	\$ 957,905	\$ 1,255,301
Federal Revenues	\$ 189,220	\$ 110,682	\$ 131,262
Rents and Leases	\$ 1,619,428	\$ 1,564,599	\$ 1,722,650
Non Resident/Out of State Tuition	\$ 1,487,316	\$ 1,736,549	\$ 2,008,165
Community Education Fees	\$ 171,301	\$ 135,304	\$ 149,146
All Other Local Income	\$ 1,952,649	\$ 2,195,488	\$ 2,163,915
Other Financing Sources	\$ 623,147	\$ 790,684	\$ 630,886
<b>Total Revenue</b>	<b>\$ 104,433,890</b>	<b>\$ 104,517,659</b>	<b>\$ 107,786,009</b>
	<b>23% Increase</b>	<b>0% Increase</b>	<b>3% Increase</b>

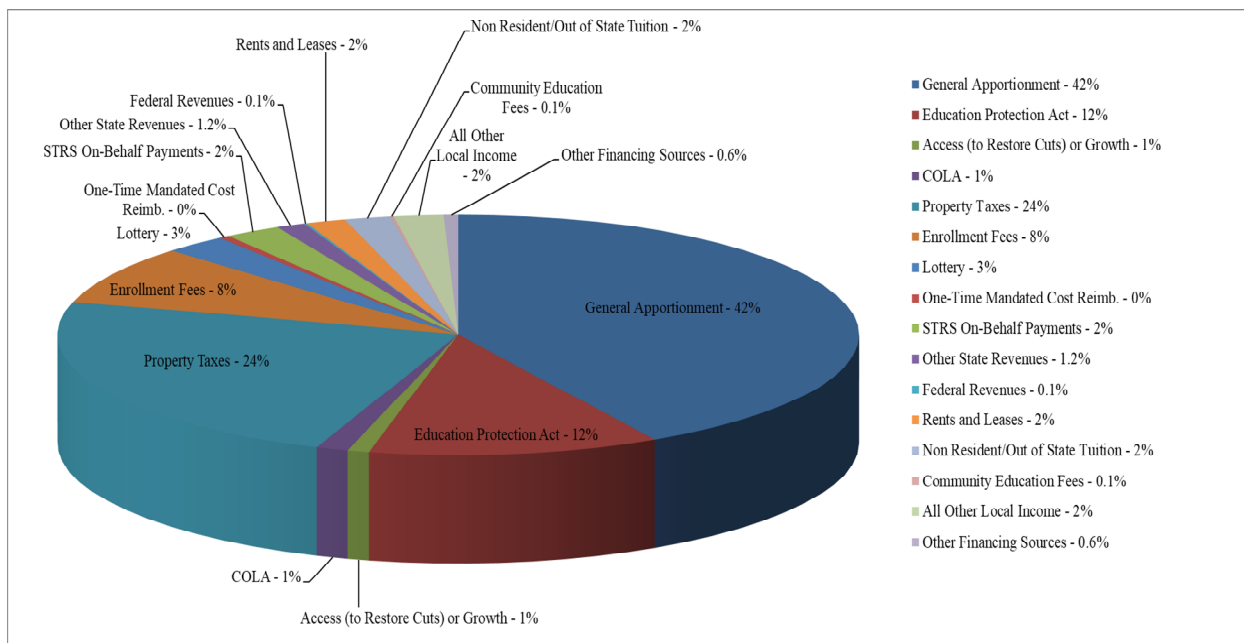
# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

The following chart provides a visual summary of the sources of revenue received by major category in 2017-18, and illustrates that State General Apportionment, Access/Growth funding, COLA, Property Taxes, and Student Enrollment Fees accounted for 76% of the District's Unrestricted General Fund Revenues. The Education Protection Act, which is temporary funding expiring in 2030, represents 12% of the District's Unrestricted General Fund Revenues. The remaining 12% 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 – 2017-18**



### Unrestricted General Fund Revenues for 2017-18 as Compared to 2016-17

Revenues and other financing sources in the Unrestricted General Fund totaled \$107,786,009 in fiscal year 2017-18. **This is an increase of \$3,268,350 over the prior year's revenues** or a 3% increase. The reason for the increase over prior year is due mainly to increases in General Apportionment from Base Increase, Growth and COLA offset by a reduction in Prior Year one-time adjustments when compared to 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 \$3,513,517. The main factors contributing to this increase were:**
  - **\$2,664,656 (Revenue Increase) – Base Increase**
    - The District received an on-going Base Apportionment increase of \$2.7 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, 2018

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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.

- **\$ 944,057 (Revenue Increase) – Growth**
  - The District grew by 1.12% in 2017-18, receiving growth funding above our District's growth allocation and the 1% 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.
- **\$1,388,963 (Revenue Increase) – Cost of Living Adjustment (COLA)**
  - The State provided a 1.56% inflation adjustment on the District's base apportionment, which represents an on-going increase to the District's base revenue.
- **\$(1,484,159) (Revenue Decrease) – 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 2017-18, these adjustments decreased by \$(858,918) when compared to 2016-17 due to the fact we had a large adjustment at Recalc adding 143 FTES, increasing 2015-16 apportionment received in 2016-17.
  - In 2017-18 there was a decrease of \$(625,241) from the recognition of prior year revenue due to an RDA Adjustment from 2014-15 that was recognized in 2016-17. This was a one-time adjustment in 2016-17, which did not occur in 2017-18.
  - Prior year apportionment adjustments are one-time funding and do not increase the District's base revenue.
- **Unrestricted Lottery Revenues Increased by \$231,794:**
  - **\$231,794 (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 2017-18 due to additional FTES claimed and an increase in the rate per FTES, providing additional lottery funding.
- **One-Time Mandated Cost Reimbursement Funding Decreased by \$(1,000,937):**
  - **\$(1,000,973) (Revenue Decrease) - Mandated Cost Reimbursement**
    - Over the past four State Budget cycles (2014-15, 2015-16, 2016-17 and 2017-18) the Governor has provided one-time funding to reimburse Mandated Cost Claims.
    - In 2017-18, the District's allocation was \$458,875 compared to \$1,459,812 in 2016-17.
    - 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 provide funding

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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- **STRS On-Behalf Revenue and Payments Decreased by \$(46,138):**
  - **\$(46,138) (Revenue Decrease) – 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 Increased by \$297,396:**
  - **\$177,870 (Revenue Increase) – Prior Year One-Time Apportionment Allocation**
    - In February 2018, the State Chancellor's Office identified additional one-time funding from the 2015-16 fiscal year.
    - The funding was allocated on an FTES basis as a prior year one-time apportionment adjustment.
  
  - **\$23,398 (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 2017-18 the District participated (for the sixth 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 2017-18 as compared to 2016-17, the District's allocation increased from \$443,859 to \$467,257.
  
  - **\$(614) (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% revenue adjustment for enrollment fees waived for BOG students. The allocation decreased slightly in 2017-18 due to the decreased number of students served.
  
  - **\$13,995 (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.
  
  - **\$82,747 (Revenue Increase) – Part-Time Faculty Office Hours**
    - The District receives an allocation from the State based on the number of claimed Part-Time Faculty Office Hours claimed by all Community College Districts in the State. In 2017-18, the District claimed \$590,802 in Part-Time Faculty Office Hours paid and received about 14% of the claim.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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- **Federal Revenues Increased by \$20,580:**
  - **\$13,939 (Revenue Increase) – Medical Administrative Allocation (MAA)**
    - The District participates in the MAA program where various departments, in partnership with the Student Health Center, receive Federal funding for informing students of different State health programs available to them. Over the past several years, the Federal Government suspended payments for this program due to a nationwide audit. In 2015-16, the audit concluded and the Federal Government had resumed making payments for this program. As a result of the audit, the District will be required to pay back \$72,861, which will happen in FY 2018-19. However, the District still has positive revenue from MAA, over \$800,000 received since 2007-08
  - **\$3,429 (Revenue Increase) – Forest Revenues**
    - The District receives Federal Revenue for each student that has an address in a national forest area. The allocation varies from year to year based on the current student population and available Federal funding. The District's annual revenue from this program has fluctuated from approximately \$5,000 to \$30,000 a year since 2004-05 when the District began participating. The program is administered by the LA County Office of Education.
  - **\$332 (Revenue Increase) – Veterans' Education**
    - The District Receives Federal Revenue for Veterans' Education and the allocation varies from year to year.
  - **\$2,880 (Revenue Increase) - Financial Aid Administrative Allowances**
    - The District receives allowances for administering financial aid, and these allowances increase as the number of students receiving financial aid increase.
- **Rents and Leases Revenue Increased by \$158,051:**
  - **\$205,207 (Revenue Increase) - Facility Use Fees**
    - Facility Use revenue increased significantly 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.
  - **\$(47,156) (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 textbook sales and rentals.
- **Non Resident/Out of State Tuition Increased by \$271,616:**
  - **\$131,108 (Revenue Increase) - International Students**
    - International Students income increased as the International Services Program continued to expand recruiting efforts.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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- **\$140,508 (Revenue Increase) - Out of State Students**
  - 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 Increased by \$13,842:**
  - Community Education revenue is established on a fee for service basis for the types of programs offered.
- **All Other Local Revenue Decreased by \$(31,573):**
  - The District's miscellaneous revenues decreased from the previous year. This decrease was due to a number of variances in revenue received vs. revenue budgeted:
    - Interest earned on the Unrestricted General Fund cash balance increased \$7,432 as the County Treasury paid a slightly higher yield.
    - Support from the COC Foundation decreased \$(78,494) from the previous year as less faculty and staff drew funds from Foundation resources.
    - Miscellaneous locally derived revenues such as refund processing fees increased \$39,489.
- **Other Financing Sources Decreased by \$(159,798):**
  - Other Financing Sources represent transfers from other District funds into the Unrestricted General Fund. This revenue source decreased in 2017-18 mainly due to the District receiving less indirect support revenue from grants such as the Institutional Effectiveness Partnership Initiative, NSF Manufacturing Grant, and other grants.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

**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 2016-17 and 2017-18 as the State provided additional on-going and one-time funding.

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

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Academic Salaries	\$ 37,233,324	\$ 38,949,718	\$ 42,400,074
Classified Salaries	\$ 22,512,933	\$ 25,224,070	\$ 26,068,290
Employee Benefits - Retirement	\$ 7,090,731	\$ 9,140,527	\$ 10,362,219
Employee Benefits - Other	\$ 4,266,955	\$ 4,599,768	\$ 5,225,788
Employee Benefits - Health and Welfare	\$ 5,834,207	\$ 6,566,121	\$ 7,034,255
Supplies and Materials	\$ 962,715	\$ 934,775	\$ 808,176
Consultants and Lecturers	\$ 4,305,253	\$ 4,825,998	\$ 5,067,096
Conference/Travel/Dues/Memberships	\$ 532,542	\$ 519,976	\$ 641,169
Property, Liability & Student Insurance	\$ 662,709	\$ 658,174	\$ 733,434
Utilities	\$ 2,189,571	\$ 2,212,848	\$ 2,331,417
Other Expenses	\$ 3,025,813	\$ 3,964,163	\$ 2,756,402
Capital Outlay	\$ 2,202,896	\$ 1,824,717	\$ 1,140,286
Debt Service	\$ 45,024	\$ 37,520	\$ -
Transfers and Other	\$ 13,117,763	\$ 4,435,867	\$ 2,988,277
<b>Total Expenses</b>	<b>\$ 103,982,436</b>	<b>\$ 103,894,242</b>	<b>\$ 107,556,883</b>
	<b>23% Increase</b>	<b>0% Increase</b>	<b>3.5% Increase</b>

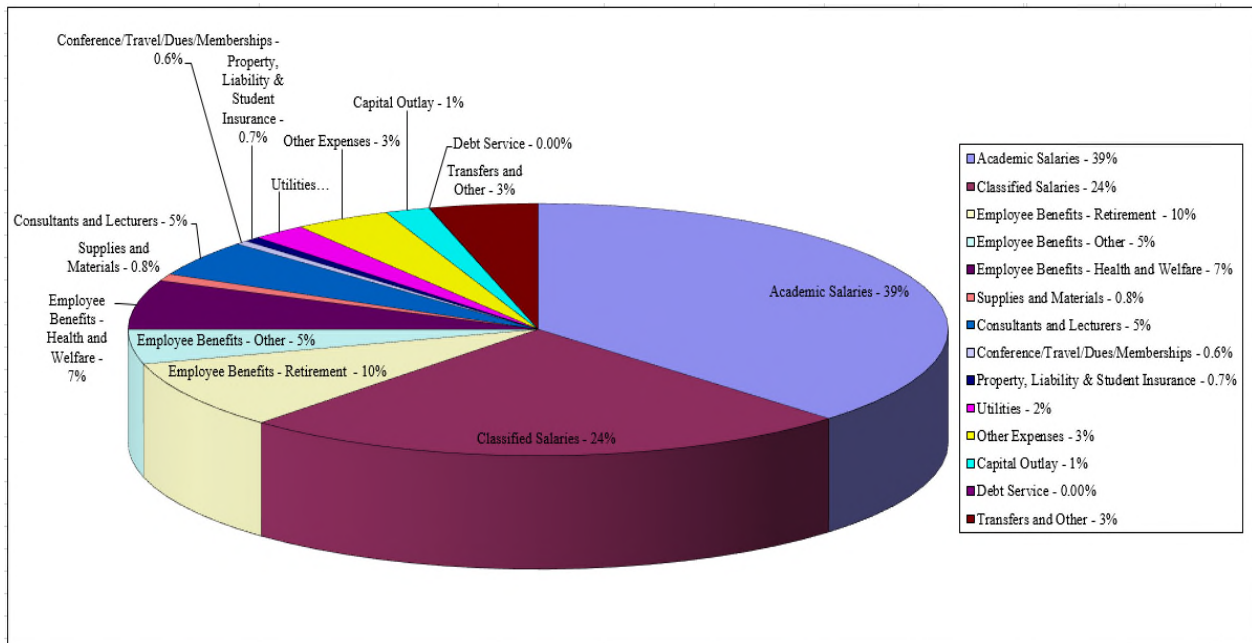
# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The following chart provides a visual summary of the types of expenditures made in 2017-18, and shows that salaries and fringe benefits totaled 85% of all Unrestricted General Fund expenditures, which is average.

**Unrestricted General Fund Expenditures by Major Category – 2017-18**



### Unrestricted General Fund Expenditures for 2017-18 as Compared to 2016-17

Expenditures and other financing uses in the Unrestricted General Fund totaled **\$107,556,883** in fiscal year 2017-18. This is an **increase** of \$3,662,641 over the prior year's expenditures. The following factors make up the increase in unrestricted expenditures:

- **Employee Salaries Increased by \$4,294,576:**
  - Employee salaries increased due to several factors:
    - **Full Time Faculty and Staff** expenses increased as the District added new permanent positions. Twenty new full positions were added in 2017-18, with the Unrestricted General Fund providing funding for the majority of the positions.
    - **Adjunct and Full Time Faculty Overload and Intercession** expenses increased due to additional sections offered in 2017-18. The District added an additional 400+ sections throughout the year in order to meet our enrollment target. This increase in offerings resulted in a large increase in costs for Adjunct Faculty and Full Time Faculty Overload and Intercession expenses.
    - **Contractually obligated step and column increases** for faculty and staff, and **negotiated increases** for groups whose collective bargaining increases were confirmed before the 2017-18 books were closed also contributed to the increased expenses. Costs associated with 2017-18 negotiations not yet completed before the books were closed will be reflected in the 2018-19 fiscal year.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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- **Employee Fringe Benefits Increased by \$2,315,846:**
  - 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 Decreased by \$(778,240):**
  - **\$(126,599) (Expense Decrease) - Supplies and Materials**  
Supplies and materials expense decreased as a result of several factors:
    - In 2017-18 the District received additional Lottery funding for purchases of instructional supplies, reference books, media materials, and electronic resources. This allowed the District to purchase these materials with Lottery Funding instead of using the Unrestricted General Fund dollars.
  
  - **\$241,098 (Expense Increase) - Consultants, Lecturers, and Instructional Contracts**  
Contracted services expenses increased mainly 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.
  
  - **\$121,193 (Expense Increase) - Conference/Travel/Dues/Memberships**  
Conference, Field Trip, and Membership expenses increased slightly due to various departments attending more conferences and trainings, taking students on field trips, and exploring new professional memberships.
  
  - **\$75,260 (Expense Increase) - Property, Liability, and Student Insurance**  
Insurance premiums increased for property and liability insurance coverage.
  
  - **\$118,569 (Expense Increase) - Utilities**  
Utility costs increased 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.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- **\$(1,207,761) (Expense Decrease) - Other Operating Expenses**  
Other expenses decreased mainly due to not having a Public Election expense in 2017-18. The District is required to pay costs for public elections every other year, this expense will occur in 2018-19. Also in 2016-17, the District accrued a one-time expense for a Financial Aid Settlement; there was no expense for this in 2017-18.
- **Capital Outlay Decreased by \$(684,431):**
  - Capital outlay expenses decreased as in 2017-18 the District was able to use Lottery funds for Electronic Resources for the Library. Also other sources used in 2017-18 to make Capital Outlay purchases, such as the Instructional Block Grant, saving Unrestricted General Fund dollars.
- **Transfers and Other Disbursements Decreased by \$(1,447,590):**
  - Interfund transfers are processed annually to move Unrestricted General Fund dollars to other designated funds for specific uses. Interfund transfers decreased in 2017-18 from 2016-17.
    - \$(1.0) million decrease in one-time savings in 2017-18 transferred to the Retiree Benefit Fund for future OPEB liability.
    - \$(1.1) million decrease in one-time savings in 2017-18 transferred to the STRS/PERS Fund for future liability.
    - \$0.6 million increase was transferred to the Parking Fund for future Debt Service Liability.

### 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 264%.

Federal grant program expenditures for fiscal year 2017-18 totaled \$18,996,683. Compared to Federal grant/categorical expenditures for fiscal year 2016-17, this represents a **decrease of \$(1,971,360)**, which is 9%. This decrease is attributable to a \$(575,771) decrease in student financial aid due to fewer Direct Student Loans and a \$(1,198,171) decrease in Federal grant activity.

In 2017-18, 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.

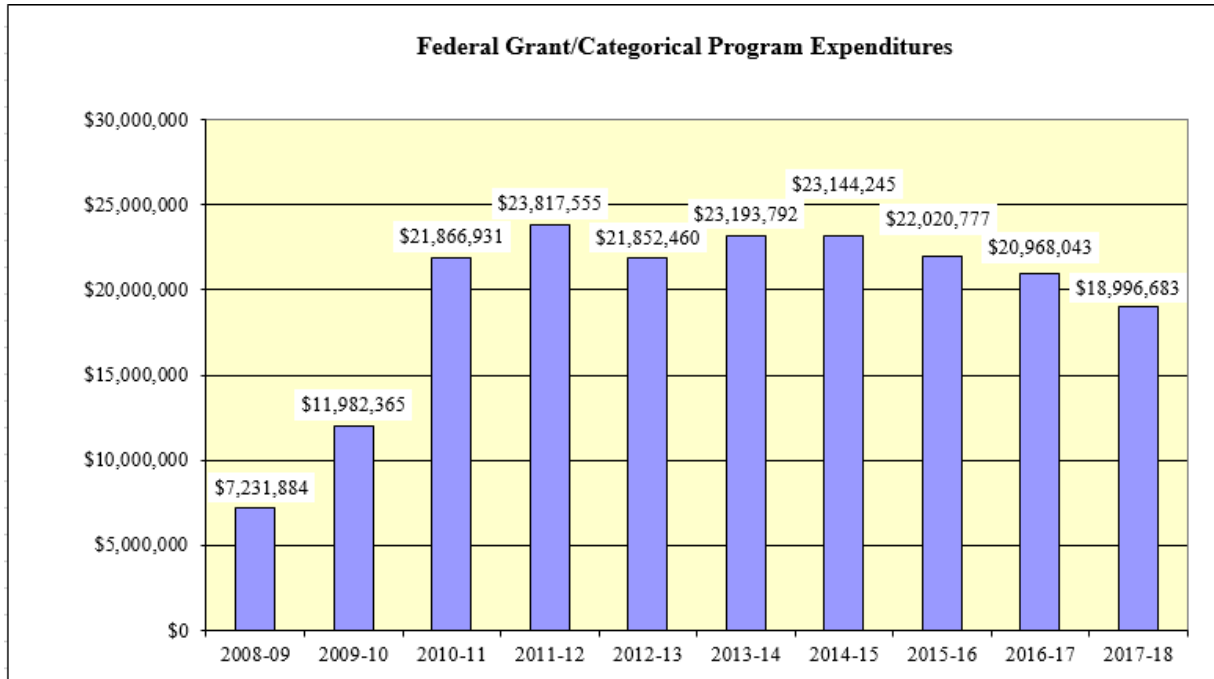
# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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- **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

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### State Grant/Categorical Expenditures

The State of California provides grant and categorical funding to the District. Over the last ten years, State grant/categorical expenditures increased 348%. 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 2017-18, State Grant/Categorical expenditures totaled \$26,382,166. Compared to State Grant/Categorical expenditures for fiscal year 2016-17, this represents a **decrease of \$(2,403,201)**, which is 8%. The main reason for this decrease is that the State did not approve IEPI Year 3 carryforward until the end of 2017-18 so we could not make expenditures against the grant. This carryforward is now approved and will be expended in future years. Noteworthy 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.
- **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 21<sup>st</sup> century workplace and improve student transition into postsecondary education training and employment.
- **Career Tech Education - SB1070 Career Pathways** grant provides South Central Regional Consortium support to develop and implement sustainable policies and infrastructure for measurable and successful transition of CTE students from high schools to postsecondary education and careers.
- **Statewide Closed Captioning – Distance Education** grant coordinates assistance to all California Community Colleges to facilitate and fund live and off-line captioning and transcription services.
- **Deputy Sector Navigator** grants provide regional support by building long-term relationships between Advanced Manufacturing, Health, and Information Communication Technologies employers and education providers in the South Central Region.
- **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.



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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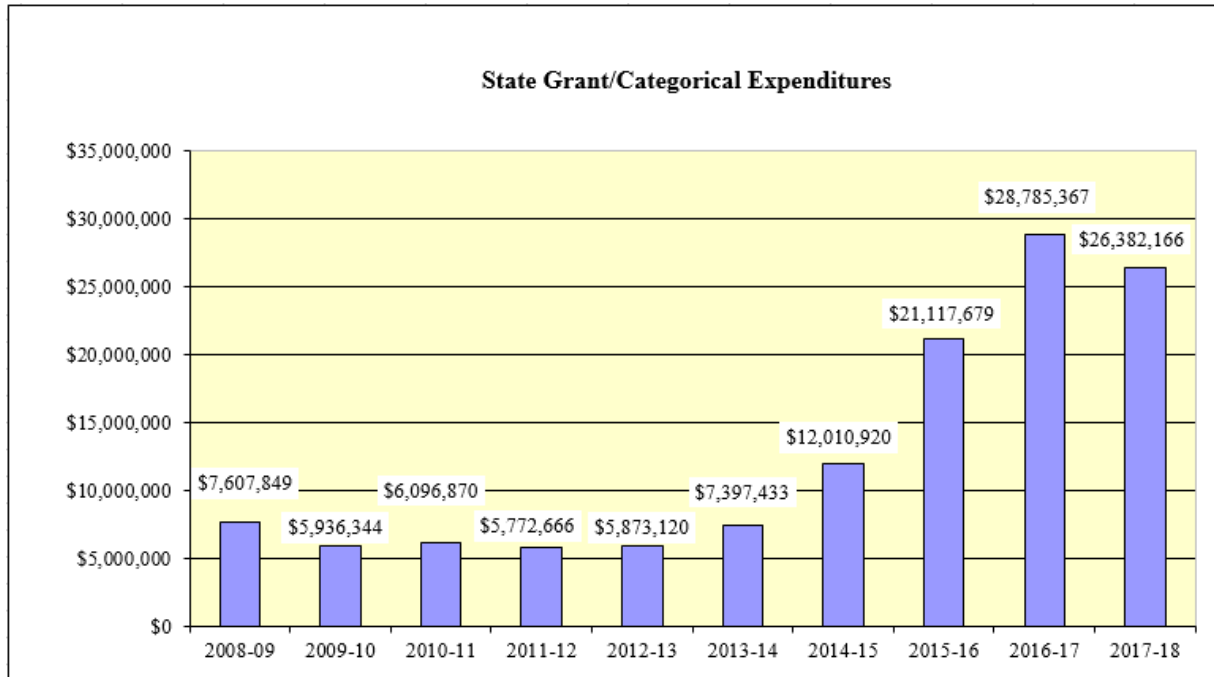
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- **MakerSpace** grant provides a collaborative learning area that gives users free access to tools, materials, technological resources, skills training and a variety of entrepreneurial opportunities. Students and staff members interested in the science, 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 21<sup>st</sup> century careers.
- **Online Educational Resource** grants provides students with a more affordable college education by using Open Educational Resources (OER) instead of costly traditional textbooks. 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.
- **Student Equity** categorical funding focuses on increasing access, course completion, ESL and basic skills completion, degrees, certificates and transfer for all students as measured by success indicators linked to the CCC Student Success Scorecard, and other measures developed in consultation with local colleges. "Success indicators" are used to identify and measure areas for which disadvantaged populations may be impacted by issues of equal opportunity. Title 5 regulations specify that colleges must review and address the following populations when looking at disproportionate impact: American Indians or Alaskan natives, Asians or Pacific Islanders, Blacks, Hispanics, Whites, men, women, and persons with disabilities. The State Budget Trailer Bill added requirements to address foster youth, veterans, and low-income students.
- **Student Success and Support** categorical funding is used to enhance student access and promote and sustain the efforts of credit students to be successful in their educational endeavors. The goals of the Student Success and Support program are to ensure that all students complete their college courses, persist to the next academic term, and achieve their educational objectives through the assistance of student-direct components of the student success and support program process: admissions, orientation, assessment and testing, counseling, and student follow-up.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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### 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, 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.

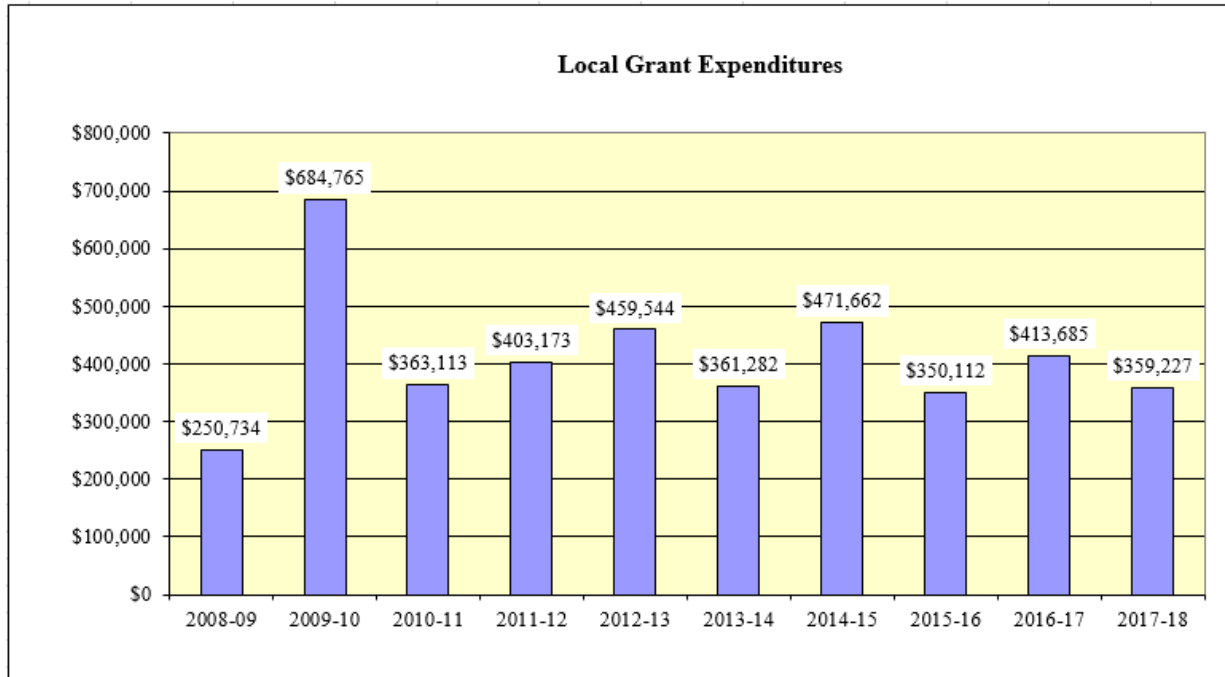
In 2017-18, local grant expenditures totaled \$359,227, a \$54,108 or 13% **decrease** over 2016-17. Local grant dollars received in 2017-18 benefited the Nursing Program, Center for Civic Engagement, K-12 Arts Education, Health and Information Communication Technology Deputy Sector Navigator Programs, Career Technical Education Welding program, and the Small Business Development Center.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Student Financial Aid Expenditures

In 2017-18, the District offered student financial aid in the form of PELL Grants, Cal Grants, Full Time Student Success Grants, and SEOG Grants totaling **\$16,308,726**. 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%** from Federal and State allocations, and SEOG grants were funded 75% from Federal funds and 25% 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% from Federal funds, and Work Study was funded 75% from Federal funds and 25% from a District match. Students received **\$2,394,528** in Direct Loans and earned **\$338,249** in Federal Work Study wages from on-campus jobs. Providing students with opportunities to work on-campus improves student retention and success.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Student Financial Aid Expenditures**

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Federal Pell Grants *	\$ 16,001,751	\$ 15,348,499	\$ 14,849,480	\$ 13,651,309
Cal Grants *	\$ 1,093,088	\$ 1,186,252	\$ 1,303,573	\$ 1,456,787
Full Time Student Success Grants*	n/a	\$ 323,400	\$ 335,435	\$ 669,727
Federal SEOG Grants **	\$ 431,561	\$ 442,432	\$ 407,167	\$ 530,903
<b>Subtotal-Grants</b>	<b>\$ 17,526,400</b>	<b>\$ 17,300,583</b>	<b>\$ 16,895,655</b>	<b>\$ 16,308,726</b>
Direct Student Loans***	\$ 4,151,266	\$ 3,367,299	\$ 2,970,029	\$ 2,394,528
Federal Work Study Wages **	\$ 268,033	\$ 308,090	\$ 343,177	\$ 338,249
<b>Total-Grants and Work Study</b>	<b>\$ 21,945,699</b>	<b>\$ 20,975,972</b>	<b>\$ 20,208,861</b>	<b>\$ 19,041,503</b>

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

\*\* SEOG Grants and Federal Work Study Wages were funded 75% from Federal sources and require a 25% 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, 2018**

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### Capital Outlay Expenditures

The District continued to plan, construct, and upgrade facilities in fiscal year 2017-18, through a combination of the funding sources highlighted below:

- **State Funding for Capital Projects**

- The District expended **\$426,796 in Prop 39 and Scheduled Maintenance Funding** in 2017-18.
  - Fume Hood Replacements for Aliso Hall and Boykin Hall

- **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% voter approval, and passed in 147 of the 150 precincts with over 55% 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 2017-18 fiscal year, Measure M proceeds in the amount of \$11,587,212 were expended on approved projects and expenditures.**
- **As of June 30, 2018, \$164,784,052 of Measure M funds have been expended and the following projects have been completed:**
  - Dr. Dianne G. Van Hook University Center
  - Air Handler Replacement – Boykin and Bonelli
  - Applied Technology Building - Canyon Country Campus
  - Bonelli Hall Renovation
  - Canyon Country Campus site development, modulars, expanded scope
  - Canyon Country Campus Parking Lot #2
  - Canyon Country Campus Parking Lot Improvement
  - Culinary Arts Facility
  - Educational and Facilities Master Plan and Secondary Effects Master Plan
  - Fire Alarm Panel Replacement
  - Health and Safety
  - Library Expansion
  - Mentry Hall Expansion
  - Rebuild Chillers – Valencia Campus
  - Renovation of Laboratory Classrooms Boykin 207 & 208
  - Repairs and Modernization

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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- Secondary Effects Projects, including:
  - ✓ First Floor Bonelli Hall
  - ✓ First Floor Seco Hall
  - ✓ Mentry Hall
  - ✓ Second Floor Bonelli Hall
  - ✓ Student Support Center
  - ✓ Third Floor Bonelli Hall
- Site Upgrades
- Soccer Field Renovations/Improvements
- Student Services/Administration Building (Canyons Hall)
- Student Services/Administration Building Tenant Improvement
- Technology/Technology Infrastructure
- **Measure M funding will continue to fund the following projects in progress:**
  - ADA Doors and Hardware
  - Canyon Country Campus Science Building and Classroom Structure
  - Canyon Country Campus Central Plant
  - Repairs and Modernization
  - Site Upgrades
- **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% 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 Student Services and Learning Resource Center

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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- **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 2017-18, local funding totaling \$602,672 was expended on projects such as:**
    - ADA Parking Changes
    - Baseball Field Renovation
    - Canyon Country Campus Shade Structure
    - Equipment for Various Instructional and Non-Instructional Departments:
      - Art
      - Campus wide Computer Replacement
      - Chemistry
      - Computer Support Services
      - Geology
      - Maker Space
      - Media/Audio Visual
      - Performing Arts Center
      - Veteran's Services
      - Workplace Safety
    - Scheduled Maintenance projects

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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### FUND BALANCE AND FUND BALANCE CLASSIFICATIONS

#### UNRESTRICTED GENERAL FUND ENDING FUND BALANCE

	2013-14	2014-15	2015-16	2016-17	2017-18
Reserved/Assigned	\$ 783,208	\$ 277,702	\$ 1,120,816	\$ 1,237,961	\$ 1,053,458
Unassigned	8,174,699	9,279,591	8,887,932	9,394,204	9,807,833
<b>Ending Fund Balance</b>	<b>\$ 8,957,907</b>	<b>\$ 9,557,293</b>	<b>\$ 10,008,748</b>	<b>\$ 10,632,165</b>	<b>\$ 10,861,291</b>
Percentage of Unrestricted Expenses	11.02%	11.31%	9.63%	10.23%	10.10%

#### 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 5% of Unrestricted General Fund expenditures.
  - **The average ending fund balance over the last five years was 10.46%.**
- The ending fund balance for the Unrestricted General Fund as of June 30, 2018, was \$10,861,291, which was 10.1% of Unrestricted General Fund expenditures.
  - The District **avoided deficit spending in 2017-18** and did not spend down reserves.
- The 2017-18 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, 2018.
  - The reserved portion of the ending fund balance was \$1,053,458 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 \$921,729. The District pre-paid software licenses, insurance premiums, and memberships in the last few months of the 2017-18 fiscal year in order to comply with vendors' payment deadlines and to ensure uninterrupted service. These expenses will be deducted from 2018-19 budget funds.
    - Health and Welfare Pool Balances totaling \$27,729 for COCFA, CSEA, and Confidential employee groups. These estimated pool balances at June 30, 2018, are reserved for future health and welfare expenses for these groups in accordance with their Board Approved bargaining agreements.



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

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

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

##### **COC Begins Second Internship Program with City of Santa Clarita**

Three COC building inspection students has the opportunity to work one-on-one with City building inspectors to experience building inspections, plan checks, and the practical side of building codes through excellent customer service. This internship program provided our students with invaluable hands-on experience from seasoned professions.

##### **COC Leads the Way with Apprenticeships in California**

In an effort to drive the expansion of apprenticeships in California, COC has formed a partnership with Goodwill Southern California to form the Strong Workforce Apprenticeship Group (SWAG). SWAG will provide COC students and employees of participating companies with skilled training and hands-on experience through apprenticeships at local businesses. COC will provide specific instruction to SWAG apprentices that align with the needs of the SWAG employers.

##### **Selection of Zero Cost Non-Credit Courses Expanded**

57 non-credit class sections were among the 2,000 class sections offered by COC during Fall 2017. This marks a 36% increase from Fall 2016. Non-Credit courses are designed to help students and community members improve their language and study skills and/or transition into a collegiate academic setting. Courses included English as a Second Language (ESL), GED preparation, basic skills, computer applications, and web technology, as well as citizen preparation classes.

##### **Makerspace Selected for Large, New Grant**

COC was among 24 community colleges that received funding to participate in the California Community Colleges Maker Initiative. This \$311,432 grant will allow our Makerspaces to expand offerings and support innovation, and it is renewable. Our Makerspaces are open to the community and provide technology, manufacturing equipment and education opportunities to design, prototype, and create manufactured items. Makerspace community members collaborate and teach others, enabling students, faculty, and business owners to interact in ways that enrich the education of our students.

##### **College Leaders Join Statewide Effort to Expand College Promise**

On August 30, 2017, representatives from COC joined more than 400 education leaders as part of a statewide effort to improve and expand College Promise partnerships. During the conference, educational leaders heard from the heads of all public education systems in California and discussed the key elements of successful College Promise Programs. Currently, there are nearly 55 College Promise Programs in comminute colleges though out the state. Under the leadership of COC Foundation Board Chairman Steve Corn, COC is currently exploring fundraising opportunities to extend the benefits of the First Year Promise Program beyond the term of the grant.

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The representatives from COC gained important information, including how to engage businesses in supporting the program and how to make it sustainable.

### **COC Partners with Lincoln Electric to Provide Training**

COC became the first official Lincoln Electric Education Partner School (LEEPS) in the nation by providing certified robotic training to Lincoln Electric clients. This is a multi-tiered program that provides industry certification to welders who meet specific program requirements. Lincoln Electric is considered the world leader in the manufacture, development, and design of robotic arc welding systems, arc welding, as well as oxyfuel and plasma cutting equipment.

### **RISE Project Launched**

COC recently launched the Resources for Individual Success in Education (RISE) Project to help improve access to higher education for current and former foster or homeless youth. The mission of this program is to increase retention, graduation, and transfer rates, as well as promote student learning and development. The RISE Project will provide students with counseling, priority registration, progress monitoring, and assistance with the purchase of textbooks, meals, and transportation. RISE Project students will have access to on-campus shower facilities, personal care supplies, workshops, snacks, and resources referrals.

### **New Zero Textbook Cost (ZTC) Grant Awarded to COC**

The California Community College Chancellor's Office awarded COC a \$150,000 grant to develop a ZTC Certificate in Early Childhood Education. The performance period is January 2018 through December 2018.

### **New World of Work**

COC is proud to be a member of the initial group of partners in the systemwide roll out of the New World of Work 21<sup>st</sup> century employability skills. As a partner college, the skills lessons will be embedded across disciplines in both CTE and GE coursework. The first program incorporating the New World of Work will be the Uniquely Abled Program, in collaboration with the Economic Development Department.

### **COC Goes to Washington to Bring the Money Home**

Ryan Theule and Theresa Zuzevich attended the CASE (Council for Advancement & Support of Education) Professionals Conference, which included multiple roundtables with funding agency representatives, sessions on grants development strategies and best practices, and thematic presentations by achieving the Dream, Aspen, Gates Foundation, et al. Jim Temple attended the Title V Developing Hispanic-Serving Institutions Conference where they discussed resources available to Title V institutions, best practices for administering your grant, and pitfalls to watch out for.

### **2018 Deans Symposium**

COC and the California Community Colleges Chancellor's Office Division of Workforce and Economic Development held the 2018 Deans Symposium at COC on January 12<sup>th</sup>. The event focused on a variety of leadership skills that align workforce needs and the statewide "Vision for Success" goals.

### **SCV Chamber Institute**

Dr. Van Hook became the Founding Chair of The Chamber Institute, which will be comprised of Leadership SCV, a training program being designed in conjunction with COC, and a new think tank that will bring local business executives together to strategically target the top issues facing the business community.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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### **Nursing Program Accreditation**

COC was recognized by the National League for Nursing for accreditation of its Associate Degree Nursing Program. COC is the first program in the State of California to receive this accreditation.

### **Paralegal Studies Program Compliant**

The American Bar Association (ABA) site team found the Paralegal Studies Program to be compliant and will recommend to the ABA that the approval of our program continue.

### **Exciting Special Recognition of Career Ed Programs**

18 of COC's programs have been named "Strong Workforce Stars" by the California Community Colleges Chancellor's Office. To receive the recognition, programs must have demonstrated an increase in earnings in one or more of the following metrics: by 50% or more, based on a match to the state wage file, for students who were last enrolled in 2015-16; attainment of the regional living wage by 70% or more, based on a match to the state wage file, for students who were last enrolled in 2015-16; and 90% or more are employed in a job similar to their field of study, according to the CTE Outcomes Survey, for student who were last enrolled in 2014-15.

### **COC's Civic and Community Engagement Initiative Receives a Mini-Grant**

COC's Civic and Community Engagement Initiative has been awarded a mini-grant from the Association of American Colleges and Universities. The grant was one of 24 awarded to institutions nationwide from a pool of 134 applications. The award is designed to help advance civic learning and social responsibility.

### **Commencement 2018 Sets a New Record**

COC's 2018 Commencement shattered all records with 2,232 students graduating, a 9.1% increase over 2017 – which was also a record. The class of 2018 earned 3,118 degrees (a 32% increase from 2017), representing 111 majors. 590 students graduated with honors (3.5 GPA or higher); 50 students graduated with a perfect 4.0 GPA; and the average GPA of the class of 2018 was 3.14.

### **Grants Update**

Over the last 10 years COC has received \$90,518,970 in grant funding. Over \$14 million was received during 2017-18.

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

### **Four COC Programs Named "Strong Workforce Stars"**

This new annual commendation for career education programs is awarded to programs whose students meet one or more of the following: 70% or more of students attain a regional living wage; 50% or more increase in student earnings; 90% or more of students report that their current job is close to their field of study. 100 programs in 65 colleges made the list. COC's Emergency Medical Technician, Administration of Justice, and Fire Technology programs earned a spot on the Public & Protective Services Sector list. Our Water Technology Program earned a spot on the Agriculture, Water, and Environmental Technologies Sector list.

### **Model United Nations Team Excels**

On September 30<sup>th</sup>, 2017, our Model United Nations (COCMUN) team participated in the first conference of the 2017-18 season. The Southern California MUN Conference included 140 delegates from eight colleges. While the COCMUN team accounted for less than 14% of the delegates, we won 35% of the awards.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

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### **COC Model United Nations Team Named in Top 50**

"Best Delegate," the foremost website on Model UN, released their rankings for Fall 2017 semester and COC, who competes against mostly four-year institutions during Model UN competitions, was ranked in the top 50 delegations in the country. Other schools ranked in the Top 50 include Princeton, John Hopkins, Tufts, UC Davis, and UC San Diego.

### **Great News from the Astronomy Physics Club**

Two teams of students working on proposals and designs for two different NASA student payloads (science experiments) were accepted to participate. One of the projects will be manifested on NASA's RockSatX rocket. The second project was accepted for the NASA High Altitude Student Platform (HASP) – COC has been selected three years in a row (no other community college has ever achieved this).

### **Soroptimist Scholarship**

On March 8<sup>th</sup>, 2018 COC CalWORKs student Lupe Izguirre received the "Live Your Dream" \$2,000 Soroptimist Scholarship.

### **COC FBLA Students Excel**

COC's Future Business Leaders of America – Phi Beta Lambda (FBLA-PBL) came away with a variety of medals at the 2018 Spring California State Business Leadership Conference in San Diego. Nine members of the team combined to win two second place medals, three third place medals, two fourth place medals, and three fifth place medals. The COC chapter was also recognized for having the second largest increase in membership over the previous year statewide.

### **2017 State Championship Golf Team Earns another Honor**

COC's 2017 State Championship Men's Golf Team was named a CCCAA Scholar Team Award Winner. This is the highest academic team achievement given annually by the California Community College Athletic Association (CCCAA). It emphasizes the academic achievement of all members of one specific team, with only one team selected from each CCCAA sport in the state. To be eligible, all team members must have excelled academically with a total GPA of 3.0 or higher and have demonstrated better than average accomplishments in intercollegiate athletic competition. Our team had a combined GPA of 3.66.

### **Model U.N. Continues to Excel**

The COC Model U.N. Program which ranked among the Top 50 programs in the nation, the only community college to do so. 15 veteran Model U.N. team members graduated this year and will be attending UC Berkeley, UCLA, UC San Diego, Ohio State, and CSUN. COC's team excelled at competitions held at Santiago Canyons College, USC, US Santa Barbara, UC Berkeley, CSU Long Beach, and UCLA.

## **COMMUNITY PARTNERSHIPS**

### **California Acceleration Project Summer Institute**

COC was pleased to host the California Acceleration Project Summer Institute on July 7<sup>th</sup> through July 9<sup>th</sup>, 2017 in the University Center. 200 English and Math community college faculty from around Southern California came to learn about high leverage strategies to dramatically increase student success.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### **ECE Celebrates 35 Years**

The Center for Early Childhood Education marked its 35<sup>th</sup> anniversary with a celebration on August 19<sup>th</sup>, 2017. The event was attended by current and former students, some who now have children attending the Center, as well as teachers and community members. The highlight of the event was the dedication of the outdoor classroom to Diane Stewart, who was recognized for her amazing contributions over the last 35 years.

### **Happy 10<sup>th</sup> Anniversary to our Canyon Country Campus**

The Fall 2017 semester marked the 10-year anniversary of the Canyon Country Campus. Over the past 10 years, the 70-acre campus has offered more than 5,000 classes and served more than 50,000 students. The Fall 2017 semester the Canyon Country Campus offered one of its largest class schedules with more than 260 class sections. Nearly 73% of the 2017 COC graduating class completed at least one course at the Canyon Country Campus.

### **Groundbreaking Ceremony at CCC**

The official groundbreaking ceremony of the Canyon Country Campus Science Center was held on January 24<sup>th</sup>, 2018. The 55,000 square foot building will bring in-demand science laboratory and classroom space to the heart of the campus and effectively double the existing building space on campus. These new, state-of-the-art learning spaces will enable the college to meet the growing enrollment at the Canyon Country Campus, which has exceeded projections every year since it opened in 2007.

### **Sand Canyon Country Club Support FYP**

Tech entrepreneur and General Manager of the Sand Canyon Country Club, Steve Kim, presented donated \$50,000 to COC on February 22<sup>nd</sup>, 2018 – a two-year commitment (designated as the Sand Canyon Country Club Scholars contribution) that will support 50 First-Year Promise students.

### **8<sup>th</sup> Annual Walk for Kids**

The Michael Hoefflin Foundation held their 9<sup>th</sup> annual Walk for Kids in Cougar Stadium at COC on March 17<sup>th</sup>, 2018. Nearly a thousand people walked and raised funds for this local non-profit that assists children diagnosed with cancer and their families.

### **"Making the Most of Your Life" – Women's Conference**

The 2018 COC Women's Conference, presented by Boston Scientific Neuromodulation, drew a record on March 17<sup>th</sup>, 2018. The conference featured an exciting lineup of presenters and breakout sessions centered around the interests of women in our community.

### **It's Star Party Time Again**

Approximately 500 people joined us for a stellar lineup at the Star Party on April 27<sup>th</sup>, 2018 at the Canyon Country Campus. "Detwinkling the Stars to Study Exoplanetary Systems" was the topic of guest speaker Dr. Vanessa Bailey, Staff Scientist at JPL. Interactive demonstrations and activity tables were provided by COC's students, faculty, and staff. High-powered telescopes, provided by astronomy clubs, gave guests spectacular views of the night sky.

### **Makerspace Festival Inspires Next Gen of Innovators**

The 1<sup>st</sup> annual Makerspace Festival was held on the Valencia campus on April 28<sup>th</sup> and was a smashing success. Approximately 2,500 participants from 35 schools and organizations participated. 53 booths provided hands-on activities, demonstrations, and displays.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### **We Have Broken Ground**

On April 26<sup>th</sup>, 2018, students, community members, dignitaries, and staff gathered together in Lot 7 to break ground on the new 1,650 space parking structure. The new structure is scheduled to open in time for the spring 2019 semester. We are extremely appreciative to the community for the passage of Measure E, which will fund this structure that will help support the growth of the college and provide better access for our students.

### **Shine a Light on Suicide Prevention and Awareness**

On May 8<sup>th</sup> & 9<sup>th</sup>, 2018, the Student Health and Wellness Center hosted the 6<sup>th</sup> annual "*Shine a Light on Suicide Prevention and Awareness Event.*" 1,100 lanterns were displayed in the Honor Grove representing the vibrant lives of college students lost to suicide each year. Resource tables staffed with community providers and the Student Health and Wellness Center staff provided students with information and resources. As part of this event, community therapist Priscilla Benites facilitated a "*Suicide Prevention, Response and Intervention Training.*"

## **AWARDS**

### **Chef Otto Named Best Chef in Town**

Chef Daniel Otto was named "Best Chef in Santa Clarita" by Elite Magazine. The honor was presented to Chef Otto on July 6<sup>th</sup>, 2017. COC is proud to have Chef Otto as one of our very talented instructors in the Institute for Culinary Education (iCue).

### **Chef Herve Guillard Receives Culinary Award**

Culinary Arts instructor Herve Guillard has been awarded a 2017 Idaho Potato Commission (IPC) Innovation Award. The award for "Effective Use of Social Media in the Classroom," recognized Chef Guillard for integrating various forms of social media into his Safety and Sanitation class. Using social media to poll users regarding food safety issues allowed students to make educated guesses about which food safety principles were violated.

### **COC Honored as "Education Partner of the Year"**

The Archdiocesan Youth Employment Services (AYE) names COC "Education Partner of the Year" for providing job training for participants of the "This Way Ahead – Los Angeles," which provides students with the necessary customer service skills that enable them to deliver exceptional, high-quality customer service in a variety of positions.

### **L.A. Paralegal Association Pro Bono Award for 2017**

Nicole Faudree, the Department Chair of the Paralegal Studies Program at COC, received the L.A. Paralegal Association 2017 Pro Bono Award. Since Fall 2012, COC's paralegal students have given more than 14,750 hours of unpaid time through internships in the Cooperative Work Experience program, including internships at Neighborhood Legal Services.

### **Band of Brothers & Sisters Excellence Award**

Jasmine Gabriel, Gilbert Sanchez, and Christian Sullano received awards from the "Fall 2017 Band of Brothers & Sisters Excellence Awards" – a partnership between Student Veterans of America, COC Foundation, and donors to offer awards designed to support our military veterans and active duty reservists.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### **COC Selected as the 2018 Employer & Service Provider**

On February 22<sup>nd</sup>, the Center for Applied and Competitive Technologies (CACT) was selected as the "Employer and Service Provider for 2018" by the SCV Mayor's Committee.

### **SCVI Founders Family Vision Honoree**

Congratulations to Wendy Ruiz and her family on receiving the Founders Family Vision Award from SCVi on March 10<sup>th</sup>, 2018. Wendy and her husband, Robert, are extremely active at SCVi. Wendy was the driving force in the creation of Little iLeaders, their preschool program, and continues to coach and mentor the program. Additionally, Wendy is a member of their Board of Directors and has served in a variety of capabilities, including in her new role as part of the LEAD Schools Development Board.

### **Technology Awards**

On March 19<sup>th</sup>, 2018, COC accepted two Chancellor's Office Technology Awards. COC received the Chancellor's Office Technology Focus Award, which recognizes a college that has identified and solved significant problems to the benefit of students, staff, and/or faculty, for its Amazon Project that streamlined and improved the registration process and financial aid application process for its students. In addition, Jim Temple received the Chancellor's Office Technology Leadership Award, which recognizes individuals who have demonstrated extraordinary effectiveness, influence, diplomacy, and career achievement within the field of higher educational technology management.

### **COC Graduate Wins Global Award for Promoting OER at COC**

Natalie Miller, who graduated from COC in 2017 with AS degrees in Computer Science, Mathematics, and Physics, as well as a Certificate in Web Design, received the first ever Student Award for the Open Education Consortium conferred at the Open Education Global Conference in Delft, Netherlands. Natalie's contributions to OER at COC include designing and creating a marketing campaign for OER at COC, designing a logo for the statewide ZTC degree program, and facilitating sessions for faculty from across the state at our OER summits.

### **Tim Baber – American Welding Society Plummer Lecturer Award**

Welding Technology Department Chair and Professor, Tim Baber, was selected by his peers for the 2018 Plummer Memorial Education Award. This award, sponsored by the American Welding Society, recognizes outstanding contributions.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### SUMMARY

This Annual Financial Report for the Period Ending June 30, 2018, 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 2017-18, the District again received unmodified opinions on the Financial Statements, Federal Awards and State Awards, which is the best opinion an auditor can issue. There were no findings for the General Obligation Bond audit or for the COC Foundation audit, for which the District also has oversight. These opinions will position the District in a positive way in the future with the Accrediting Commission and Bond Rating Agencies.

In the past 17 years, the District has only had 11 audit findings in 76 audits (District, General Obligation Bonds 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 2017-18, the District provided oversight for the expenditure of \$192.6 million for all funds, including \$107.6 million in Operating Funds and \$49.2 million in highly regulated Federal and State Financial Aid, State Competitive Grants and State Categorical Program funds. The District received \$29.2 million in grant and categorical funding for over 100 programs that augment and complement District instructional programs. Additionally there were expenditures in Capital Outlay funds of \$18.9 million to continue the expansion of both campuses as we near completion of a new parking structure in Valencia and new Science and Lecture building in Canyon Country. One-time State Block grant funding provided \$1.0 million in instructional equipment funds that the District used to purchase 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 with \$6.2 million set aside in a separate fund. In 2017-18, GASB 75 established a new approach of how to record the District's full Post Employment Benefit liability on the Statement of Net Position to be in alignment with GASB 68 from 2015 which requires the District proportionate share of the CalPERS and CalSTRS unfunded pension liabilities to be included on the Total net Position in the financial statements. This new GASB requirement caused the District's liabilities to increase between 2016-17 and 2017-18.

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 four years, College of the Canyons has been recognized for moving the initiative forward quickly and successfully with accolades from the 72 Community College Districts



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

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that have benefited from Partnership Resource Team (PRT) visits. These PRT teams cover topics that include Enrollment Management, Non-Credit Programs and Budget/Program Reviews.

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.

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. These programs result 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.

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 30 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 same District in the history of 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. This past year she was asked to serve on the Bipartisan Policy Center's Higher Education Task Force, in Washington, D.C. This task force consists of 18 former policy makers and high-profile individuals, including senators, governors, congress people and a few higher education leaders who are tasked to make recommendations towards reforming financial aid, accreditation and certification standards and other issues that are affecting higher education at the national level. 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.

### **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, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - unrestricted	\$ 483,795
Cash and cash equivalents - restricted	13,205
Investments - unrestricted	27,742,123
Investments - restricted	91,270,755
Accounts receivable	7,137,299
Student loans receivable	1,085,719
Due from fiduciary funds	142,052
Prepaid expenses	1,208,364
<b>Total Current Assets</b>	<u>129,083,312</u>

**NONCURRENT ASSETS**

Nondepreciable capital assets	30,920,057
Depreciable capital assets, net of accumulated depreciation	242,535,190
<b>Total Noncurrent Assets</b>	<u>273,455,247</u>

**TOTAL ASSETS**

402,538,559

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on refunding	5,484,849
Deferred outflows of resources related to pensions	33,271,052
<b>Total Deferred Outflows of Resources</b>	<u>38,755,901</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	18,827,412
Accrued interest payable	4,351,447
Unearned revenue	6,794,712
Current portion of long-term obligations other than pensions	12,870,121
<b>Total Current Liabilities</b>	<u>42,843,692</u>

**NONCURRENT LIABILITIES**

Noncurrent portion of long-term obligations other than pensions	309,929,031
Aggregate net pension obligation	108,390,155
<b>Total Noncurrent Liabilities</b>	<u>418,319,186</u>

**TOTAL LIABILITIES**

461,162,878

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to pensions	4,926,504
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**NET POSITION**

Net investment in capital assets	47,810,704
Restricted for:	
Debt service	13,449,667
Capital projects	4,623,257
Educational programs	2,676,696
Other activities	605,556
Unrestricted	(93,960,802)
<b>TOTAL NET POSITION</b>	<u>\$ (24,794,922)</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, 2018

<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 22,398,811
Less: Scholarship discounts and allowances	<u>(8,785,178)</u>
Net tuition and fees	<u>13,613,633</u>
Grants and Contracts, Noncapital	
Federal	2,553,494
State	22,388,669
Local	<u>2,588,473</u>
Total grants and contracts, noncapital	<u>27,530,636</u>
<b>TOTAL OPERATING REVENUES</b>	<u><b>41,144,269</b></u>
<b>OPERATING EXPENSES</b>	
Salaries	81,514,342
Employee benefits	33,371,018
Supplies, materials, and other operating expenses and services	25,077,244
Student financial aid	18,859,216
Equipment, maintenance, and repairs	5,744,002
Depreciation	<u>8,986,444</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>173,552,266</b></u>
<b>OPERATING LOSS</b>	<u><b>(132,407,997)</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	61,200,763
Local property taxes, levied for general purposes	26,299,236
Taxes levied for other specific purposes	16,959,961
Federal financial aid grants, noncapital	16,443,744
State financial aid grants, noncapital	2,253,376
State taxes and other revenues	4,821,280
Investment income	1,541,310
Interest expense on capital related debt	(10,596,499)
Interest income on capital asset-related debt	164,523
Transfer to fiduciary fund	(991,196)
Transfer from fiduciary fund	1,800
Other nonoperating revenues	<u>2,764,985</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><b>120,863,283</b></u>
<b>LOSS BEFORE OTHER REVENUES AND (LOSSES)</b>	<u><b>(11,544,714)</b></u>
<b>OTHER REVENUES AND (LOSSES)</b>	
State revenues, capital	5,214,039
Local revenues, capital	207,231
Loss on disposal of capital assets	<u>(297,814)</u>
<b>TOTAL OTHER REVENUES AND (LOSSES)</b>	<u><b>5,123,456</b></u>
<b>CHANGE IN NET POSITION</b>	(6,421,258)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>(18,373,664)</u>
<b>NET POSITION, END OF YEAR</b>	<u><b>\$ (24,794,922)</b></u>

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, 2018

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### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 12,651,990
Federal and State grants and contracts	29,963,065
Payments to or on behalf of employees	(107,504,756)
Payments to vendors for supplies and services	(34,483,450)
Payments to students for scholarships and grants	(18,859,216)
<b>Net Cash Flows From Operating Activities</b>	<u>(118,232,367)</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	61,200,763
Federal and State financial aid grants	18,697,120
Property taxes - nondebt related	26,299,236
State taxes and other revenue	4,821,280
Other nonoperating	1,751,082
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>112,769,481</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State apportionments, capital projects	5,214,039
Local revenue, capital projects	207,231
Proceeds from capital debt	1,285,053
Acquisition and construction of capital assets	(14,916,208)
Property taxes - related to capital debt	16,959,961
Principal paid on capital debt	(4,710,643)
Interest received on capital debt	164,523
Interest paid on capital debt	(10,135,348)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<u>(5,931,392)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>1,541,310</u>
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<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(9,852,968)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>129,362,846</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 119,509,878</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, 2018**

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

Operating Loss	<u>\$ (132,407,997)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	8,986,444
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	2,100,653
Prepaid expenses	(35,867)
Accounts payable and accrued liabilities	(2,227,741)
Unearned revenue	(629,867)
Deferred outflows of resources related to pensions	(11,570,268)
Deferred inflows of resources related to pensions	2,205,459
Aggregate net pension obligation	14,894,984
Aggregate net OPEB liability	478,657
Compensated absences and Early Retirement	<u>(26,824)</u>
<b>Total Adjustments</b>	<u>14,175,630</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (118,232,367)</u></u>

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

Cash in banks	\$ 497,000
Cash with county treasury	<u>119,012,878</u>
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 119,509,878</u></u>

**NONCASH TRANSACTIONS**

On behalf payments for benefits	<u>\$ 2,741,931</u>
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The accompanying notes are an integral part of these financial statements.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2018

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	<u>Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,423,148
Investments	7,777,749
Accounts receivable	46,677
Prepaid expenses	37,765
<b>Total Assets</b>	<u>9,285,339</u>
 <b>LIABILITIES</b>	
Accounts payable	15,455
Due to primary government	142,052
Unearned revenue	109,258
Due to student groups	585,820
<b>Total Liabilities</b>	<u>852,585</u>
 <b>NET POSITION</b>	
Unrestricted	8,432,754
<b>Total Net Position</b>	<u>\$ 8,432,754</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, 2018

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	<u>Trust Funds</u>
<b>ADDITIONS</b>	
Local revenues	\$ 831,842
<b>DEDUCTIONS</b>	
Employee benefits	350,806
Services and operating expenditures	694,155
Capital outlay	355
<b>Total Deductions</b>	<u>1,045,316</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfer from primary government	991,196
Transfer to primary government	(1,800)
<b>Total Other Financing Sources (Uses)</b>	<u>989,396</u>
<b>Change in Net Position</b>	775,922
<b>Net Position - Beginning of Year</b>	<u>7,656,832</u>
<b>Net Position - End of Year</b>	<u>\$ 8,432,754</u>

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

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **NOTE 1 - ORGANIZATION**

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

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

#### **Financial Reporting Entity**

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

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

- **Public Property Financing Corporation**

The Public Property Financing Corporation (the Corporation) is a legally separate organization and a component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Within the other supplementary information section of the report, the activity is included as the Capital Outlay Projects Fund and the Other Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities of the District. Individually-prepared financial statements are not prepared for the Public Property Financing Corporation. Condensed component unit information for the Corporation, the District's blended component unit, for the year ended June 30, 2018, is as follows:



**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Condensed Statement of Net Position**

**ASSETS**

Investments	\$ 700,583
Accounts receivable	1,863
<b>Total Assets</b>	<u><u>\$ 702,446</u></u>

**NET POSITION**

Restricted for:	
Debt service	<u><u>\$ 702,446</u></u>

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

**NONOPERATING REVENUES (EXPENSES)**

Interest expense on capital related debt	\$ (286,727)
Investment income	20,781
<b>TOTAL NONOPERATING EXPENSES</b>	<u><u>(265,946)</u></u>

**LOSS BEFORE TRANSFERS**

Transfers in	<u>804,832</u>
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**CHANGE IN NET POSITION**

538,886

**NET POSITION, BEGINNING OF YEAR**

163,560

**NET POSITION, END OF YEAR**

\$ 702,446

**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 government-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, 2018**

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Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, 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, Federal and State financial aid 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 financial aid grants 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, No. 39, and No. 61. 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, 2018

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### **Investments**

Investments held at June 30, 2018, 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 government-wide financial statements.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **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 Charges on Refunding**

Deferred charges on refunding is amortized using the straight-line method over the remaining life of the new or old debt, whichever is shorter.

### **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.

### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the aggregate net OPEB liability related to OPEB and OPEB expense, information about the OPEB liability of the District Plan and information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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 government-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 government-wide financial statements.

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 general obligation bonds, compensated absences, early retirement programs, aggregate net OPEB liability, and the aggregate net pension obligation 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.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**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.

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 government-wide financial statements report \$21,355,176 of restricted net position.

### Operating Revenues and Expenses

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

**Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

**Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

**Classification of Expenses** - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

**Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

**Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

### 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.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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, Supplemental Educational Opportunity 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.

### 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.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 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. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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



# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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The District has implemented the provisions of this Statement as of June 30, 2018.

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 District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged. The requirements of this Statement should be applied prospectively.

The District has implemented the provisions of this Statement as of June 30, 2018.

### **New Accounting Pronouncements**

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, 2018**

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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 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.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

#### **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.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### 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, 2018

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### Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, consist of the following:

Primary government	\$ 119,509,878
Fiduciary funds	9,200,897
Total Deposits and Investments	<u>\$ 128,710,775</u>
Cash on hand and in banks	\$ 1,423,148
Cash in revolving	105,000
Cash collections awaiting deposit	392,000
Investments	126,790,627
Total Deposits and Investments	<u>\$ 128,710,775</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:

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Weighted Average Days/Date to Maturity</u>
Los Angeles County Investment Pool	\$ 126,475,145	\$ 124,780,938	609
Certificate of Deposit - Bank of America	315,482	315,482	12/8/2018
Total	<u>\$ 126,790,627</u>	<u>\$ 125,096,420</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, 2018.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, 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, 2018**

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Los Angeles County Investment Pool	\$ 124,780,938	\$ -	\$ 124,780,938
Certificate of Deposit - Bank of America	315,482	315,482	-
Total	\$ 125,096,420	\$ 315,482	\$ 124,780,938

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

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	Primary Government
Federal Government	
Categorical aid	\$ 1,896,011
State Government	
Categorical aid	2,681,816
Lottery	717,566
Apportionment	377,390
Other State	251,163
Local Sources	
Interest	551,613
Foundation	12,595
Other local	649,145
Total	\$ 7,137,299
Student receivables	\$ 1,085,719
	<u>Fiduciary Funds</u>
Other local	\$ 46,677

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	\$ 14,309,904	\$ -	\$ -	\$ 14,309,904
Construction in progress	4,068,101	15,602,495	3,060,443	16,610,153
Total Capital Assets Not Being Depreciated	<u>18,378,005</u>	<u>15,602,495</u>	<u>3,060,443</u>	<u>30,920,057</u>
Capital Assets Being Depreciated				
Site improvements	22,405,475	463,247	-	22,868,722
Buildings and improvements	287,341,269	2,597,196	253,767	289,684,698
Equipment	19,328,385	1,029,459	202,218	20,155,626
Total Capital Assets Being Depreciated	<u>329,075,129</u>	<u>4,089,902</u>	<u>455,985</u>	<u>332,709,046</u>
Total Capital Assets	<u>347,453,134</u>	<u>19,692,397</u>	<u>3,516,428</u>	<u>363,629,103</u>
Less Accumulated Depreciation				
Site improvements	11,388,296	1,058,806	-	12,447,102
Buildings and improvements	58,095,995	6,545,877	-	64,641,872
Equipment	11,861,292	1,381,761	158,171	13,084,882
Total Accumulated Depreciation	<u>81,345,583</u>	<u>8,986,444</u>	<u>158,171</u>	<u>90,173,856</u>
Net Capital Assets	<u>\$ 266,107,551</u>	<u>\$ 10,705,953</u>	<u>\$ 3,358,257</u>	<u>\$ 273,455,247</u>

Depreciation expense for the year was \$8,986,444.



**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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***NOTE 7 - PREPAID EXPENSES***

Prepaid expenses at June 30, 2018, consisted of the following:

	<u>Primary Government</u>
IT system database maintenance	\$ 448,021
Student insurance	146,145
Other	614,198
Total	<u>\$ 1,208,364</u>
	<u>Fiduciary Funds</u>
Other	<u>\$ 37,765</u>

***NOTE 8 - ACCOUNTS PAYABLE***

Accounts payable at June 30, 2018, consisted of the following:

	<u>Primary Government</u>
Accrued payroll and benefits	\$ 11,502,571
Instructional service agreements	1,475,964
Construction	2,624,393
Federal categorical	798
State categorical	10,449
Insurance liability	872,861
Other liabilities	2,340,376
Total	<u>\$ 18,827,412</u>
	<u>Fiduciary Funds</u>
Other liabilities	<u>\$ 15,455</u>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 9 - UNEARNED REVENUE**

Unearned revenue at June 30, 2018, consisted of the following:

	<u>Primary Government</u>
Federal categorical	\$ 63,147
State categorical	4,672,376
Student tuition and fees	1,449,572
Other local	<u>609,617</u>
Total	<u>\$ 6,794,712</u>
	<u>Fiduciary Funds</u>
Student tuition and fees	<u>\$ 109,258</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 primary government 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, 2018, the amounts owed between the primary government and fiduciary funds were \$142,052 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 2018 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 \$991,196.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2018 fiscal year consisted of the following:

	(as restated)			Balance June 30, 2018	Due in One Year
	Balance July 1, 2017	Additions	Deductions		
<b>Bonds Payable</b>					
General obligation bonds, Series 2003	\$ 16,043,625	\$ 848,477	\$ 1,350,000	\$ 15,542,102	\$ 1,415,000
General obligation bonds, Series 2005	7,115,469	436,576	-	7,552,045	-
General obligation bonds, Series 2012	33,065,000	-	-	33,065,000	-
Unamortized premium	2,147,605	-	85,904	2,061,701	-
General Obligation bonds, Refunding Bonds 2013	32,550,000	-	935,000	31,615,000	1,005,000
Unamortized premium	3,812,858	-	341,450	3,471,408	-
General obligation bonds, Series 2014	24,000,000	-	55,000	23,945,000	135,000
Unamortized premium	1,069,098	-	47,515	1,021,583	-
General Obligation bonds, Refunding Bonds 2016	91,755,000	-	1,335,000	90,420,000	1,415,000
Unamortized premium	9,086,214	-	312,420	8,773,794	-
General obligation bonds, Series 2016	20,000,000	-	-	20,000,000	685,000
Unamortized premium	1,536,022	-	52,815	1,483,207	-
General obligation bonds, Series 2017	50,000,000	-	-	50,000,000	6,160,000
Unamortized premium	3,470,726	-	120,286	3,350,440	-
Certificate of participation Refunding 2017	9,580,000	-	-	9,580,000	745,000
Unamortized premium	1,059,817	-	75,253	984,564	-
<b>Total Bonds Payable</b>	<b>306,291,434</b>	<b>1,285,053</b>	<b>4,710,643</b>	<b>302,865,844</b>	<b>11,560,000</b>
<b>Other Liabilities</b>					
Early retirement plan	3,282,079	26,616	690,953	2,617,742	690,954
Aggregate net OPEB liability	12,886,533	884,807	406,150	13,365,190	-
Aggregate net pension obligation	93,495,171	14,894,984	-	108,390,155	-
Compensated absences (net)	3,312,863	637,513	-	3,950,376	619,167
<b>Total Other Liabilities</b>	<b>112,976,646</b>	<b>16,443,920</b>	<b>1,097,103</b>	<b>128,323,463</b>	<b>1,310,121</b>
<b>Total Long-Term Obligations</b>	<b>\$ 419,268,080</b>	<b>\$ 17,728,973</b>	<b>\$ 5,807,746</b>	<b>\$ 431,189,307</b>	<b>\$ 12,870,121</b>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Description of Debt

Payments of the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. Payments for the certificates of participation (COPs) is made by the Other Debt Service Fund. The compensated absences and early retirement plan will be paid by the fund for which the employee worked. Pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee worked. See Note 14 for further details of the aggregate net pension obligation. Payments for the aggregate net other postemployment liability 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, 2018, the principal balance outstanding was \$15,542,102.

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, 2018, the principal balance outstanding was \$7,552,045.

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, 2018, the principal balance outstanding was \$33,065,000. Unamortized premium received on issuance of the bonds amounted to \$2,061,701 as of June 30, 2018.

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, 2018, the principal balance outstanding was \$31,615,000. Unamortized premium received on issuance of the bonds amounted to \$3,471,408 as of June 30, 2018.

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, 2018, the principal balance outstanding was \$23,945,000. Unamortized premium received on issuance of the bonds amounted to \$1,021,583 as of June 30, 2018.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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, 2018, the principal balance outstanding was \$90,420,000. Unamortized premium received on issuance of the bonds amounted to \$8,773,794 as of June 30, 2018.

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, 2018, the principal balance outstanding was \$20,000,000. Unamortized premium received on issuance of the bonds amounted to \$1,483,207 as of June 30, 2018.

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, 2018, the principal balance outstanding was \$50,000,000. Unamortized premium received on issuance of the bonds amounted to \$3,350,440 as of June 30, 2018.

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, 2018, the principal balance outstanding was \$9,580,000. Unamortized premium received on issuance of the certificates amounted to \$984,564 as of June 30, 2018.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding End of Year
2003	08/01/28	1.05%-5.60%	\$ 17,498,982	\$ 16,043,625	\$ -	\$ 848,477	\$ 1,350,000	\$ 15,542,102
2005	08/01/30	3.00%-5.00%	42,981,087	7,115,469	-	436,576	-	7,552,045
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	32,550,000	-	-	935,000	31,615,000
2014	08/01/39	2.00%-5.00%	25,000,000	24,000,000	-	-	55,000	23,945,000
2016	08/01/46	2.00%-5.00%	94,050,000	91,755,000	-	-	1,335,000	90,420,000
2016	08/01/46	3.00%-5.00%	20,000,000	20,000,000	-	-	-	20,000,000
2017	08/01/47	2.00%-5.00%	50,000,000	50,000,000	-	-	-	50,000,000
				<u>\$ 274,529,094</u>	<u>\$ -</u>	<u>\$ 1,285,053</u>	<u>\$ 3,675,000</u>	<u>\$ 272,139,147</u>

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

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2019	\$ 1,379,668	\$ 35,332	\$ 1,415,000
2020	1,379,157	110,843	1,490,000
2021	1,368,089	191,911	1,560,000
2022	1,360,971	279,029	1,640,000
2023	1,347,965	372,035	1,720,000
2024-2028	6,998,436	3,676,564	10,675,000
2029	1,707,816	1,342,184	3,050,000
Total	<u>\$ 15,542,102</u>	<u>\$ 6,007,898</u>	<u>\$ 21,550,000</u>

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

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2029-2031	<u>\$ 7,552,045</u>	<u>\$ 8,112,955</u>	<u>\$ 15,665,000</u>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	285,000	1,493,675	1,778,675
2024-2028	2,715,000	7,194,325	9,909,325
2029-2033	5,450,000	6,325,750	11,775,750
2034-2038	9,460,000	4,488,250	13,948,250
2039-2043	14,810,000	1,703,400	16,513,400
Total	\$ 33,065,000	\$ 27,262,225	\$ 60,327,225

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	3,365,000	1,098,900	4,463,900
2024-2028	19,760,000	2,789,500	22,549,500
2029	4,070,000	61,050	4,131,050
Total	\$ 31,615,000	\$ 8,976,625	\$ 40,591,625

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	345,000	921,950	1,266,950
2024-2028	2,945,000	4,243,500	7,188,500
2029-2033	5,650,000	3,279,016	8,929,016
2034-2038	9,155,000	1,960,553	11,115,553
2039-2040	4,980,000	203,400	5,183,400
Total	\$ 23,945,000	\$ 14,407,644	\$ 38,352,644

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	-	3,259,400	3,259,400
2024-2028	1,520,000	16,225,050	17,745,050
2029-2033	7,430,000	15,305,050	22,735,050
2034-2038	15,560,000	13,391,675	28,951,675
2039-2043	26,910,000	9,460,400	36,370,400
2044-2047	32,760,000	2,764,400	35,524,400
Total	\$ 90,420,000	\$ 74,057,000	\$164,477,000



**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ 685,000	\$ 780,793	\$ 1,465,793
2020	-	770,518	770,518
2021	-	770,519	770,519
2022	-	770,519	770,519
2023	30,000	770,069	800,069
2024-2028	695,000	3,794,020	4,489,020
2029-2033	1,960,000	3,477,945	5,437,945
2034-2038	3,665,000	2,938,778	6,603,778
2039-2043	5,955,000	2,040,900	7,995,900
2044-2047	7,010,000	589,200	7,599,200
Total	\$ 20,000,000	\$ 16,703,261	\$ 36,703,261

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	335,000	1,612,600	1,947,600
2024-2028	2,605,000	7,728,000	10,333,000
2029-2033	4,495,000	6,879,962	11,374,962
2034-2038	6,855,000	5,651,625	12,506,625
2039-2043	9,995,000	3,799,500	13,794,500
2044-2048	13,735,000	1,440,500	15,175,500
Total	\$ 50,000,000	\$ 33,960,337	\$ 83,960,337

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Certificates of Participation**

The certificates mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
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	805,000	270,006	1,075,006
2024-2028	3,740,000	818,880	4,558,880
2029-2032	2,000,000	97,921	2,097,921
Total	<u>\$ 9,580,000</u>	<u>\$ 2,558,110</u>	<u>\$ 12,138,110</u>

**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 \$2,617,742 on behalf of the retirees over the next four years in accordance with the following schedule:

Year Ending June 30,	
2019	\$ 690,954
2020	690,954
2021	690,954
2022	544,880
Total	<u>\$ 2,617,742</u>

**Aggregate Net Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2018, the District reported aggregate net OPEB liability and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	OPEB Expense
District Plan	\$ 12,923,836	\$ 538,214
Medicare Premium Payment (MPP) Program	441,354	(59,557)
Total	<u>\$ 13,365,190</u>	<u>\$ 478,657</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The details of each plan are as follows:

### **District Plan**

#### *Plan Administration*

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the Plan is vested in the District management.

#### *Plan Membership*

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	182
Active employees	616
	<u>798</u>

#### *Benefits Provided*

The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

#### *Contributions*

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, with an additional amount to prefund benefits as determined annually by the District's governing board. For fiscal year 2017-2018, the District contributed \$346,593 to the Plan, all of which was used for current premiums.

### **Total OPEB Liability of the District**

The District's total OPEB liability of \$12,923,836 was measured as of June 30, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	3.80 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study as of April 2018.

### **Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 12,385,622
Service cost	413,136
Interest	471,671
Benefit payments	<u>(346,593)</u>
Net change in total OPEB liability	<u>538,214</u>
Balance at June 30, 2018	<u><u>\$ 12,923,836</u></u>

There were no changes in benefit terms since the previous valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.50 percent to 3.80 percent since the previous valuation.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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>Total OPEB Liability</u>
1% decrease (2.80%)	\$ 14,871,146
Current discount rate (3.80%)	12,923,836
1% increase (4.80%)	11,340,746

### *Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.00%)	\$ 12,101,868
Current healthcare cost trend rate (4.00%)	12,923,836
1% increase (5.00%)	13,860,504

## **Medicare Premium Payment (MPP) Program**

### **Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

### Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

### OPEB Liabilities and OPEB Expense Related to the OPEB

At June 30, 2018, the District reported a liability of \$441,354 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating community college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.1049 percent and 0.1070, respectively, resulting in a net decrease in the proportionate share of 0.0021 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(59,557).

### Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### **Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 488,610
Current discount rate (3.58%)	441,354
1% increase (4.58%)	395,388

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB 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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 398,831
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	441,354
1% increase (4.7% Part A and 5.1% Part B)	483,453

**Aggregate Net Pension Obligation**

At June 30, 2018, the liability for the aggregate net pension obligation amounted to \$108,390,155. See Note 14 for additional information.

**Compensated Absences**

At June 30, 2018, the total unpaid compensated absences was \$3,950,376.

**NOTE 12 - LEASE REVENUES**

The District has property held for lease with an estimated cost of \$2,852,725 and accumulated depreciation of \$1,437,893. 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,	
2019	\$ 860,007
2020	863,950
2021	867,944
2022	871,988
2023	876,085
Total	<u>\$ 4,339,974</u>



**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 13 - 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, 2018, 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.

**Workers' Compensation**

For fiscal year 2018, 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 14 - 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, 2018, 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	\$ 56,994,059	\$ 16,830,093	\$ 4,314,550	\$ 5,669,664
CalPERS	51,396,096	16,440,959	611,954	9,672,271
Total	\$ 108,390,155	\$ 33,271,052	\$ 4,926,504	\$ 15,341,935

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **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.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
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	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

**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, 2018, are presented above, and the District's total contributions were \$5,288,934

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

At June 30, 2018, 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	\$ 56,994,059
State's proportionate share of net pension liability associated with the District	33,717,204
Total	<u>\$ 90,711,263</u>

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.0616 percent and 0.0643 percent, respectively, resulting in a net decrease in the proportionate share of 0.0027 percent.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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For the year ended June 30, 2018, the District recognized pension expense of \$5,669,664. In addition, the District recognized pension expense and revenue of \$3,393,960 for support provided by the State. At June 30, 2018, 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	\$ 5,288,934	\$ -
Net change in proportionate share of net pension liability	771,574	1,802,571
Differences between projected and actual earnings on the pension plan investments	-	1,517,911
Differences between expected and actual experience in the measurement of the total pension liability	210,770	994,068
Changes in assumptions	10,558,815	-
Total	<u>\$ 16,830,093</u>	<u>\$ 4,314,550</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (1,261,895)
2020	954,883
2021	137,688
2022	(1,348,587)
Total	<u>\$ (1,517,911)</u>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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
2019	\$ 1,463,753
2020	1,463,753
2021	1,463,753
2022	1,463,757
2023	1,386,414
Thereafter	1,503,090
Total	<u>\$ 8,744,520</u>

**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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, 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%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 (6.10%)	\$ 83,685,373
Current discount rate (7.10%)	56,994,059
1% increase (8.10%)	35,332,249

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

#### 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
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%	6.50%
Required employer contribution rate	15.531%	15.531%

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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, 2018, are presented above, and the total District contributions were \$4,522,826.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$51,396,096. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.2153 percent and 0.2101 percent, respectively, resulting in a net increase in the proportionate share of 0.0052 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$9,672,271. At June 30, 2018, 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	\$ 4,522,826	\$ -
Net change in proportionate share of net pension liability	791,662	6,828
Differences between projected and actual earnings on the pension plan investments	1,777,953	-
Differences between expected and actual experience in the measurement of the total pension liability	1,841,310	-
Changes of assumptions	7,507,208	605,126
Total	<u>\$ 16,440,959</u>	<u>\$ 611,954</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, 2018**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (48,176)
2020	2,051,372
2021	748,363
2022	(973,606)
Total	<u>\$ 1,777,953</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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
2019	\$ 3,432,788
2020	3,300,752
2021	2,794,686
Total	<u>\$ 9,528,226</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	\$ 75,620,127
Current discount rate (7.15%)	51,396,096
1% increase (8.15%)	31,300,234

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to \$2,741,931 (9.328 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, 2018. 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 operating 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 15 - 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, 2018**

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

During the year ended June 30, 2018, the District made payments of \$1,850,651, \$480,352, \$960,666, \$201,592, and \$4,850,651 to PIPS, SWACC/SAFER, ACSIG/Edge, ACSIG, and SISC JPAs, respectively.

### *NOTE 16 - 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, 2018.

#### **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, 2018.

#### **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, 2018, amounted to \$21,000.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Construction Commitments**

As of June 30, 2018, 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>
CCC - Central Plant	\$ 5,286,198	June 1, 2019
CCC - Science-Lecture Bldg.	28,202,607	October 1, 2019
CCC - Student Services Learning Resources	1,568,000	December 1, 2020
Parking Structure Valencia	18,395,233	February 1, 2019
Ada Transition Plan - Phase 1	2,591,072	January 1, 2019
Boykin 105 Remodel	31,989	February 1, 2019
Cogen Plant Controls	7,217	December 31, 2018
Door and Lock Replacement Project	100,000	June 30, 2019
Pe West Modernization	112,747	December 1, 2019
Remodel X-6 Valencia	23,779	October 31, 2018
Educational Native Plant Garden	300	October 31, 2018
Parking Lot 7 Utilities	193,537	October 31, 2018
	<u>\$ 56,512,679</u>	

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

**NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

<u>Primary Government</u>	
Net Position - Beginning	\$ (8,862,901)
Inclusion of the aggregate net OPEB liability from the adoption of GASB Statement No. 75	<u>(9,510,763)</u>
Net Position - Beginning, as Restated	<u>\$ (18,373,664)</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 413,136
Interest	471,671
Benefit payments	<u>(346,593)</u>
<b>Net change in total OPEB liability</b>	538,214
<b>Total OPEB liability - beginning</b>	<u>12,385,622</u>
<b>Total OPEB liability - ending</b>	<u>\$ 12,923,836</u>
<b>Covered payroll</b>	<u>N/A<sup>1</sup></u>
<b>District's total OPEB liability as a percentage of covered payroll</b>	<u>N/A<sup>1</sup></u>

<sup>1</sup>The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

See accompanying note to required supplementary information.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

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	<u>2018</u>
Year ended June 30,	
District's proportion of the net OPEB liability	<u>0.1049%</u>
District's proportionate share of the net OPEB liability	<u>\$ 441,354</u>
District's covered-employee payroll	<u>N/A<sup>1</sup></u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

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, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0616%</u>	<u>0.0643%</u>
District's proportionate share of the net pension liability	\$ 56,994,059	\$ 52,007,869
State's proportionate share of the net pension liability associated with the District	<u>33,717,204</u>	<u>29,607,152</u>
Total	<u>\$ 90,711,263</u>	<u>\$ 81,615,021</u>
District's covered-employee payroll	<u>\$ 32,921,367</u>	<u>\$ 31,151,911</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>173.12%</u>	<u>166.95%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.2153%</u>	<u>0.2101%</u>
District's proportionate share of the net pension liability	<u>\$ 51,396,096</u>	<u>\$ 41,487,302</u>
District's covered-employee payroll	<u>\$ 28,198,934</u>	<u>\$ 24,896,193</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>182.26%</u>	<u>166.64%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
<u>0.0644%</u>	<u>0.0625%</u>
\$ 43,356,157	\$ 36,549,539
<u>22,930,627</u>	<u>22,070,189</u>
<u>\$ 66,286,784</u>	<u>\$ 58,619,728</u>
<u>\$ 25,442,973</u>	<u>\$ 27,811,867</u>
<u>170.41%</u>	<u>131.42%</u>
<u>74%</u>	<u>77%</u>
<u>0.2102%</u>	<u>0.2058%</u>
<u>\$ 30,976,787</u>	<u>\$ 23,365,441</u>
<u>\$ 21,783,893</u>	<u>\$ 21,565,373</u>
<u>142.20%</u>	<u>108.35%</u>
<u>79%</u>	<u>83%</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 5,288,934	\$ 4,141,508
Contributions in relation to the contractually required contribution	<u>5,288,934</u>	<u>4,141,508</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 36,652,349</u>	<u>\$ 32,921,367</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 4,522,826	\$ 3,916,268
Contributions in relation to the contractually required contribution	<u>4,522,826</u>	<u>3,916,268</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 29,121,280</u>	<u>\$ 28,198,934</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>

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

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
\$ 3,342,600	\$ 2,259,336
<u>3,342,600</u>	<u>2,259,336</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 31,151,911	\$ 25,442,973
<u>10.73%</u>	<u>8.88%</u>
\$ 2,949,452	\$ 2,564,182
<u>2,949,452</u>	<u>2,564,182</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 24,896,193	\$ 21,783,893
<u>11.847%</u>	<u>11.771%</u>

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuation.

*Changes of Assumptions* - Changes of assumptions and other inputs reflect a change in the discount rate from 4.50 percent to 3.80 percent since the previous valuation.

#### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

#### **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 of Assumptions* - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

#### **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.

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*SUPPLEMENTARY INFORMATION*

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# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2018

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

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
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
Jason Hinkle	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, 2018**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education			
Child and Adult Care Food Program	10.558	04362-CACFP- 19-CC-CS	\$ 33,229
Passed through Los Angeles County Office of Education			
Forest Reserve	10.665	[1]	22,179
<b>Total U.S. Department of Agriculture</b>			<u>55,408</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Research and Development Cluster			
California Regional Consortium for Engineering Advances in Technical Education (CREATE)			
Advanced, Automated Manufacturing and Processing Technicians Program	47.076		17,419
CREATE ATE Center Longitudinal Targeted Research Study	47.076		61,411
Passed through Madison Area Technical College			
Center for Renewable Energy Advanced Technological Education Support Center (CREATE-SC)	47.076	1600934	104,280
Passed through Mathematical Association of America			
Professional Development Emphasizing Data-Centered Resources and Pedagogies for Instructors of Undergraduate Introductory Statistics (StatPREP)	47.076	3-8-711-889	17,040
Total Research and Development Cluster			<u>200,150</u>
<b>Total National Science Foundation</b>			<u>200,150</u>
<b>SMALL BUSINESS ADMINISTRATION</b>			
Passed through Long Beach City Community College District			
Small Business Development Center	59.037	CN 99744.9	156,150
Small Business Development Center	59.037	CN 99753.3	183,013
<b>Total Small Business Administration</b>			<u>339,163</u>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
Veterans Outreach Program - Administration	64.117		3,542
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		13,651,309
Federal Pell Grant Program Administration Allowance	84.063		21,440
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		398,177
Federal Work-Study Program	84.033		253,687
Federal Work-Study Program Administration Allowance	84.033		43,458
Federal Direct Student Loans	84.268		2,394,258
Total Student Financial Assistance Cluster			<u>16,762,329</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, 2018**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>CAREER AND TECHNICAL EDUCATION ACT</b>			
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act, Perkins Title I, Part C	84.048A	17-C01-054	\$ 450,475
CTE Transitions	84.048A	17-C01-054	41,592
<b>HIGHER EDUCATION ACT</b>			
TRIO - Upward Bound Program	84.047A		98,466
Title V - Hispanic Servicing Institutions	84.031S		520,420
Passed through University Corporation (CSUN)			
Hispanic-Servicing Institutions - Science, Technology, Engineering, and Mathematics Initiative (HSI-STEM)	84.031C	F-11-2910COC	36,788
Bridging the Gap: Enhancing AIMS2 for Student Success	84.031C	A17-0013-S001	67,408
Developing California's Workforce: Creating Pathways for Latino Transfer Students in High Demand Careers	84.031S	A17-0033-S002	95,475
<b>Total U.S. Department of Education</b>			<u>18,072,953</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Substance Abuse and Mental Health Services Administration			
Campus Suicide Prevention Grant	93.243		55,320
Passed through Los Angeles County Office of Education			
Medical Administrative Activities (MAA)	93.778	[1]	40,643
Passed through California Community Colleges Chancellor's Office			
Foster and Kinship Care Education (FKCE)	93.658	[1]	43,515
Child Care and Development Fund (CCDF) Cluster			
Passed through Yosemite Community College			
Child Development Training Consortium	93.575	17-18-3155	7,500
Passed through Chabot-Las Positas Community College District			
Child Development - Mentor Teacher	93.575	CN170146	1,584
Passed through California Department of Education			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	39,030
Child Care and Development Block Grant	93.575	15136	17,941
<b>Total Child Care and Development (CCDF) Cluster</b>			<u>66,055</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, 2018**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
TANF Cluster			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	\$ 70,445
Passed through Los Angeles County Department of Public Social Services			
Temporary Assistance for Needy Families (TANF)	93.558	CCCP15011	49,489
Total TANF Cluster			<u>119,934</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>325,467</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 18,996,683</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 STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Program	Program Entitlements		
	Current Year	Prior Year Carryforward	Total Entitlement
Adult Education Grant - Data Accountability	\$ -	\$ 19,995	\$ 19,995
Adult Education Block Grant - AB104 (Yr 3)	-	378,701	378,701
Adult Education Block Grant - AB104 (Yr 4)	386,508	-	386,508
Basic Skills and Student Outcomes Transformation	713,226	-	713,226
Basic Skills Reappropriation FY 16-17 Funds	4,399	80,924	85,323
Basic Skills Reappropriation FY 17-18 Funds	678,694	-	678,694
Board Financial Assistance Program (BFAP)	511,496	-	511,496
CA Apprenticeship Initiative	-	251,933	251,933
CA College Promise	-	750,000	750,000
CA Pre-Apprenticeship Initiative	352,046	-	352,046
CA Work Opportunities and Responsibilities	393,455	-	393,455
Cal Grant	1,456,160	627	1,456,787
California Arts Council - Artists in School	11,905	-	11,905
California Career Pathways Trust Implementation	2,197,921	-	2,197,921
Campus Safety and Sexual Assault	29,489	-	29,489
CCC Completion Grant	217,500	-	217,500
Dreamer Emergency Grant	73,360	-	73,360
Career Tech Educ - SB1070 Career Pathway	250,000	-	250,000
Career Tech Educ - SB1070 Career Pathway (Yr 3)	-	120,199	120,199
Career Tech Educ - Teacher Prep Pipeline	-	66,733	66,733
Career Tech Educ - Data Unlocked	-	50,000	50,000
Career Tech Educ - Teacher Prep Pipeline - El Camino CCD	-	5,997	5,997
Career Tech Educ - Teacher Prep Pipeline Seed Grant	5,000	-	5,000
CCC eTranscript Mini Grant	-	3,882	3,882
Child and Adult Care Food Program	1,912	-	1,912
Child Development - Foster Parent-CSEC	4,250	-	4,250
California State Preschool Program	309,333	-	309,333
General Childcare and Development	107,413	-	107,413
Closed Caption Grant - Distance Ed - Butte	-	119,853	119,853
Closed Caption Grant - Distance Ed - FY 16-17	-	550,414	550,414
Closed Caption Grant - Distance Ed - FY 17-18	1,000,000	-	1,000,000
Cooperative Agency Res for Education (CARE)	80,709	-	80,709
Deputy Sector Navigator-Advanced Manufacturing	235,000	-	235,000
Deputy Sector Navigator-Advanced Manufacturing (SB858)	-	86,625	86,625
Deputy Sector Navigator-Health	235,000	-	235,000
Deputy Sector Navigator-Health (SB858)	-	64,636	64,636
Deputy Sector Navigator-Info Comm Tech	235,000	-	235,000
Deputy Sector Navigator-Info Comm Tech (SB858)	-	76,972	76,972
Deputy Sector Navigator-Water Project	-	44	44
Disabled Student Programs and Services	1,285,612	-	1,285,612
Economic Development - Econ Dev Center Coord Svcs (FY 17-18) #190	1,200,000	-	1,200,000
Economic Development - Econ Dev Center Coord Svcs (FY 16-17)	-	267,204	267,204
Education Futures	130,000	-	130,000
Extended Opportunity Program and Services	590,211	-	590,211

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 19,995	\$ -	\$ -	\$ 8,581	\$ 11,414	\$ 11,414
378,701	-	-	110,243	268,458	268,458
386,508	-	-	386,508	-	-
313,932	166,160	-	-	480,092	480,092
4,399	-	-	-	4,399	85,323
678,694	-	-	-	678,694	-
511,496	-	-	-	511,496	511,496
95,933	114	-	-	96,047	96,047
730,203	-	-	407,700	322,503	322,503
140,818	-	-	123,164	17,654	17,654
393,455	-	3,690	-	389,765	389,765
1,350,824	105,963	-	-	1,456,787	1,456,787
10,715	1,191	-	-	11,906	11,906
2,543,930	-	-	1,349,819	1,194,111	1,194,111
29,489	-	-	29,489	-	-
217,500	-	-	163,998	53,502	53,502
73,360	-	-	-	73,360	73,360
225,000	-	-	97,844	127,156	127,156
120,199	-	-	-	120,199	120,199
-	66,733	-	-	66,733	66,733
50,000	-	-	44,363	5,637	5,637
5,997	-	-	-	5,997	5,997
5,000	-	-	-	5,000	5,000
3,882	-	-	1,742	2,140	2,140
978	622	-	-	1,600	1,600
2,550	1,700	-	-	4,250	4,250
277,949	-	1,002	-	276,947	276,947
75,178	20,261	-	-	95,439	95,439
119,853	-	-	119,853	-	-
550,414	-	-	-	550,414	550,414
400,000	79,910	-	-	479,910	479,910
80,709	-	-	-	80,709	80,709
80,000	121,999	-	-	201,999	201,999
26,625	60,000	-	-	86,625	86,625
80,000	123,395	-	-	203,395	203,395
64,636	-	-	-	64,636	64,636
80,000	121,525	-	-	201,525	201,525
16,972	60,000	-	-	76,972	76,972
44	-	-	44	-	-
1,285,612	-	-	-	1,285,612	1,285,612
480,000	157,621	-	-	637,621	637,621
191,254	75,950	-	-	267,204	267,204
97,500	-	-	44,276	53,224	53,224
590,211	-	5,757	-	584,454	584,454

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

Program	Program Entitlements		
	Current Year	Prior Year Carryforward	Total Entitlement
Foster Kinship Care Education (FKCE)	\$ 53,717	\$ -	\$ 53,717
Full Time Student Success Grant	759,500	68,900	828,400
GIG Economy - Solano CCD	-	53,000	53,000
Guided Pathways (Yr 1 of 5)	376,829	-	376,829
Hunger Free Campus	34,686	-	34,686
Institutional Effectiveness and Technical Assistance (Yr 4)	7,500,000	-	7,500,000
Institutional Effectiveness and Technical Assistance Carry Forward (Yr 3)	-	1,379,079	1,379,079
Institutional Effectiveness and Technical Assistance Mini Grant (PRT Non-Credit)	200,000	-	200,000
Institutional Equipment Support (Block Grant) FY 16-17	-	979,207	979,207
Institutional Equipment Support (Block Grant) FY 17-18	1,011,406	-	1,011,406
Institutional Support Services	287,832	-	287,832
Makerspace Implementation Grant Yr 1	311,432	-	311,432
OER Textbook Affordability AB798	-	45,105	45,105
OER Zero Textbook Cost Degree Grant	-	99,631	99,631
OER Zero Textbook Cost Degree Grant - ECE	150,000	-	150,000
OER Zero Textbook Cost Degree Technical Assistance	-	206,392	206,392
Proposition 39 - Kern County	20,995	-	20,995
Quality Start (QRIS)	30,914	-	30,914
SBDC - GO Biz (CN 99750.8)	136,000	-	136,000
Song Brown	68,501	-	68,501
Staff Diversity	50,000	-	50,000
Staff Diversity Carry Forward	-	21,205	21,205
Strong Workforce Carry Forward	-	433,303	433,303
Strong Workforce Local Share	1,440,424	-	1,440,424
Strong Workforce Regional Share FY 16-17 Allocation	-	852,137	852,137
Strong Workforce Regional Share FY 17-18 Allocation	1,562,826	-	1,562,826
Student Equity	1,352,853	-	1,352,853
Student Equity Carry Forward	-	340,708	340,708
Student Success - Mesa Grant	74,515	-	74,515
Student Success - Middle College HS (AOC)	100,000	-	100,000
Student Success and Support Programs - Credit	3,216,289	-	3,216,289
Student Success and Support Programs - Credit Carry Forward	-	449,522	449,522
Student Success and Support Programs - Non-Credit	68,167	-	68,167
Student Success and Support Programs - Non-Credit Carry Forward	-	51,675	51,675
Veterans' Resource Center	67,391	-	67,391
<b>Total State Programs</b>	<b>\$ 31,569,876</b>	<b>\$ 7,874,603</b>	<b>\$ 39,444,479</b>

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 53,717	\$ -	\$ -	\$ -	\$ 53,717	\$ 53,717
828,400	-	-	158,673	669,727	669,727
49,840	-	-	23,643	26,197	26,197
376,830	-	-	372,631	4,199	4,199
34,686	-	-	29,619	5,067	5,067
4,712,842	864,047	-	-	5,576,889	5,576,889
-	-	-	-	-	-
200,000	-	-	144,708	55,292	55,292
-	-	-	-	-	979,207
1,011,406	-	-	-	1,011,406	698,957
287,832	-	-	-	287,832	287,832
98,645	181,875	-	-	280,520	280,504
40,105	-	-	33,144	6,961	6,961
26,573	73,058	-	-	99,631	99,631
-	22,221	-	-	22,221	22,221
-	101,087	-	-	101,087	101,087
-	19,041	-	-	19,041	19,041
30,914	-	-	18,810	12,104	12,104
77,626	58,374	-	-	136,000	136,000
-	42,794	-	-	42,794	42,794
50,000	-	-	-	50,000	42,256
-	-	-	-	-	21,205
433,303	-	-	-	433,303	433,303
1,440,425	-	-	719,328	721,097	721,097
833,009	-	-	284,196	548,813	548,813
-	21,660	-	-	21,660	21,660
1,352,853	-	-	-	1,352,853	1,200,987
-	-	-	-	-	340,708
-	74,515	-	-	74,515	74,515
40,000	60,000	-	-	100,000	100,000
3,216,289	-	-	-	3,216,289	2,775,704
-	-	-	-	-	449,522
68,167	-	-	-	68,167	27,317
-	-	-	-	-	51,675
67,391	-	-	-	67,391	38,161
<u>\$ 28,121,368</u>	<u>\$ 2,681,816</u>	<u>\$ 10,449</u>	<u>\$ 4,672,376</u>	<u>\$ 26,120,359</u>	<u>\$ 26,382,166</u>

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2018**

<b>CATEGORIES</b>	<b>**Revised Reported Data</b>	<b>Audit Adjustments</b>	<b>Audited Data</b>
<b>A. Summer Intersession (Summer 2017 only)</b>			
1. Noncredit*	28.36	-	28.36
2. Credit	840.69	-	840.69
<b>B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)</b>			
1. Noncredit*	5.02	-	5.02
2. Credit	1,643.76	-	1,643.76
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,434.09	-	8,434.09
(b) Daily Census Contact Hours	960.77	-	960.77
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	369.27	-	369.27
(b) Credit	1,652.36	-	1,652.36
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,260.72	-	1,260.72
(b) Daily Census Contact Hours	1,517.50	-	1,517.50
(c) Noncredit Independent Study/Distance Education Courses	2.09	-	2.09
<b>D. Total FTES</b>	<b>16,714.63</b>	<b>-</b>	<b>16,714.63</b>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	1,652.58	-	1,652.58
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit*	161.36	-	161.36
2. Credit	735.15	-	735.15
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	167.00	-	167.00
Centers FTES			
1. Noncredit*	29.64	-	29.64
2. Credit	1,787.63	-	1,787.63

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

\*\* Revised October 1, 2018.

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, 2018**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 16,647,452	\$ -	\$ 16,647,452	\$ 16,753,036	\$ -	\$ 16,753,036
Other	1300	17,022,846	-	17,022,846	17,028,114	-	17,028,114
<b>Total Instructional Salaries</b>		<b>33,670,298</b>	<b>-</b>	<b>33,670,298</b>	<b>33,781,150</b>	<b>-</b>	<b>33,781,150</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	5,499,142	-	5,499,142
Other	1400	-	-	-	1,281,267	-	1,281,267
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>6,780,409</b>	<b>-</b>	<b>6,780,409</b>
<b>Total Academic Salaries</b>		<b>33,670,298</b>	<b>-</b>	<b>33,670,298</b>	<b>40,561,559</b>	<b>-</b>	<b>40,561,559</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	15,644,006	-	15,644,006
Other	2300	-	-	-	1,256,067	-	1,256,067
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>16,900,073</b>	<b>-</b>	<b>16,900,073</b>
<b>Instructional Aides</b>							
Regular Status	2200	1,213,038	-	1,213,038	1,213,038	-	1,213,038
Other	2400	1,143,282	-	1,143,282	1,173,261	-	1,173,261
<b>Total Instructional Aides</b>		<b>2,356,320</b>	<b>-</b>	<b>2,356,320</b>	<b>2,386,299</b>	<b>-</b>	<b>2,386,299</b>
<b>Total Classified Salaries</b>		<b>2,356,320</b>	<b>-</b>	<b>2,356,320</b>	<b>19,286,372</b>	<b>-</b>	<b>19,286,372</b>
Employee Benefits	3000	10,694,213	-	10,694,213	19,433,455	-	19,433,455
Supplies and Material	4000	-	-	-	718,480	-	718,480
Other Operating Expenses	5000	1,697,007	-	1,697,007	11,038,336	-	11,038,336
Equipment Replacement	6420	-	-	-	1,083,135	-	1,083,135
<b>Total Expenditures Prior to Exclusions</b>		<b>48,417,838</b>	<b>-</b>	<b>48,417,838</b>	<b>92,121,337</b>	<b>-</b>	<b>92,121,337</b>

See accompanying note to supplementary information.



**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 323,917	\$ -	\$ 323,917	\$ 323,917	\$ -	\$ 323,917
Student Health Services Above Amount Collected	6441	-	-	-	41,818	-	41,818
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	367,036	-	367,036
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	350,840	-	350,840
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.

SANTA CLARITA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

	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	\$ -	\$ -	\$ -	\$ 2,736,034	\$ -	\$ 2,736,034
Capital Outlay	6000						
Library Books	6300	-	-	-	11,782	-	11,782
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	1,071,353	-	1,071,353
Equipment - Replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	1,071,353	-	1,071,353
<b>Total Capital Outlay</b>					1,083,135	-	1,083,135
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		323,917	-	323,917	4,902,780	-	4,902,780
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 48,093,921	\$ -	\$ 48,093,921	\$ 87,218,557	\$ -	\$ 87,218,557
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		55.14%		55.14%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 43,609,278		\$ 43,609,278

See accompanying note to supplementary information.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)  
EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Revenue:	8630				\$ 12,620,789
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 12,620,789	\$ -	\$ -	\$ 12,620,789
<b>Total Expenditures for EPA</b>		\$ 12,620,789	\$ -	\$ -	\$ 12,620,789
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENTS OF NET POSITION  
JUNE 30, 2018**

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

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

General Fund - unrestricted	\$ 10,861,291	
General Fund - restricted	2,676,696	
Special Revenue Funds	832,481	
Capital Projects Funds	64,057,102	
Debt Service Funds	17,801,114	
Enterprise Fund	340,041	
Internal Service Fund	6,156,604	
Fiduciary Funds and due to student clubs	<u>9,135,266</u>	
		\$ 111,860,595

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	363,629,103	
Accumulated depreciation is	<u>(90,173,856)</u>	273,455,247

Amounts held in trust on behalf of others (Trust and Agency Funds) (9,018,574)

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities. 5,484,849

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. (4,351,447)

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	9,811,760	
Net change in proportionate share of net pension liability	1,563,236	
Differences between projected and actual earnings on pension plan investments	1,777,953	
Differences between expected and actual experience in the measurement of the total pension liability	2,052,080	
Changes of assumptions	<u>18,066,023</u>	
Total Deferred Outflows of Resources Related to Pensions		33,271,052

See accompanying note to supplementary information.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENTS OF NET POSITION, CONTINUED  
JUNE 30, 2018**

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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	\$ (1,809,399)	
Differences between projected and actual earnings on pension plan investments	(1,517,911)	
Differences between expected and actual experience in the measurement of the total pension liability	(994,068)	
Changes of assumptions	<u>(605,126)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (4,926,504)

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

General obligation bond payable	259,836,540	
Unamortized premium - Bonds	20,162,133	
Certificate of participation	9,580,000	
Unamortized premium- Certificates of participation	984,564	
Early retirement plan	2,617,742	
Aggregate net OPEB liability	13,365,190	
Compensated absences (less amount set up in Governmental Funds)	3,331,209	
Aggregate net pension obligation	108,390,155	
In addition, the District issued 'capital appreciation' general obligation bonds. The accretion of interest on those bonds to date is:	<u>12,302,607</u>	<u>(430,570,140)</u>
<b>Total Net Position</b>		<b>\$ (24,794,922)</b>

See accompanying note to supplementary information.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### District Organization

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

#### Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Position:		\$ 18,997,238
Developing California's Workforce: Creating Pathways for Latino Transfer Students in High Demand Careers	84.031S	(555)
Total Expenditures of Federal Awards		<u>\$ 18,996,683</u>

#### 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.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### **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 Audited 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 audited financial statements.

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

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

### **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 government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.



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***INDEPENDENT AUDITOR'S REPORTS***

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Santa Clarita Community College District (the District) as of and for the year ended June 30, 2018, 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 18, 2018.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 2 and Note 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 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 18, 2018.

## **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 18, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT 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, 2018. 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 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, 2018.

## 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 18, 2018



## 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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

### Management's Responsibility

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

### 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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2018.

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 (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
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	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 Apprenticeship Related and Supplemental Instruction (RSI) Funds Programs for funding; 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.



Rancho Cucamonga, California  
December 18, 2018

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

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**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 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>Unmodified</u>
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**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**SANTA CLARITA COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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

### *Financial Statement Findings*

None reported.

### *Federal Awards Findings*

None reported.

### *State Awards Findings*

#### **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.

# SANTA CLARITA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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### **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.

### **Recommendation**

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

### **Current Status**

Implemented.