

**Santa Barbara Community College District
Measure V Bond Construction Fund
Financial Statements
and
Agreed-Upon Procedures
Year Ended June 30, 2013**

**Santa Barbara Community College District
Measure V Bond Construction Fund
Year Ended June 30, 2013**

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure V General Obligation Bonds (the Bond Construction Fund) of the Santa Barbara Community College District (the District) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, as required by Proposition 39. These financial statements are the responsibility of the Santa Barbara Community College District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

**Board of Trustees and
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Santa Barbara Community College District
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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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure V Bond Construction Fund of the Santa Barbara Community College District as of June 30, 2013, and the results of operations for fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Glenn Burdette Attest Corporation
San Luis Obispo, California

December 9, 2013

Santa Barbara Community College District
Measure V Bond Construction Fund
Balance Sheet
June 30, 2013

Assets

Cash in county treasury	\$ 16,810,794
Accounts receivable	<u>9,084</u>
Total assets	<u><u>\$ 16,819,878</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued liabilities	<u>\$ 1,694,750</u>
Total liabilities	<u>1,694,750</u>

Fund balance:

Restricted	<u>15,125,128</u>
Total fund balance	<u>15,125,128</u>

Total liabilities and fund balance	<u><u>\$ 16,819,878</u></u>
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The accompanying notes are an integral part of the financial statements.

Santa Barbara Community College District
Measure V Bond Construction Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance
June 30, 2013

Revenues:	
Other state revenue	\$ 15,000,000
Local revenue	26,838
Total revenues	<u>15,026,838</u>
 Expenditures:	
Academic salaries	42,616
Classified salaries	10,100
Employee benefits	5,646
Books and supplies	2,314
Services and other operating expenditures	72,046
Capital outlay	9,396,398
Total expenditures	<u>9,529,120</u>
Excess of expenditures over revenues	5,497,718
Fund balance - beginning of year	<u>9,627,410</u>
Fund balance - end of year	<u><u>\$ 15,125,128</u></u>

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

Santa Barbara Community College District
Measure V Bond Construction Fund
Notes to the Financial Statements
June 30, 2013

Note 1: Measure V Bond Construction Fund Background

The Board of Trustees of the Santa Barbara Community College District (the District) has established a Citizens' Bond Oversight Committee to ensure that the proceeds of the Measure V General Obligation Bonds issuance are used for the purposes stated in the resolution which placed Measure V on the 2008 ballot. The Measure V General Obligation Bonds initiative authorized the issuance of \$77,000,000 in bonds. The proceeds from the bonds are to be used for projects such as modernization of deteriorated classrooms, buildings, laboratories and instructional equipment and the construction of new classrooms and laboratories; expansion, renovation or conversion of existing space to expand existing vocational and continuing education training programs; technology upgrades, improvements for campus safety and repair; replace and upgrade electrical and mechanical system. All projects to be funded under the Measure V Bond Construction Fund must be approved by Board of Trustees'. The bond proceeds and project costs are accounted for in the District's Bond Construction Fund. The District has established a Bond Charging Policy to outline the allowable expenditures for the Measure V Bond Construction Fund's related costs. Such policies specifically state that no funds will be spent for teacher or administrator salaries or for operating expenses.

All projects are managed by the District's Senior Director of Facilities, Planning and Campus Development or designee. The District's Senior Director of Facilities, Planning and Campus Development is responsible for managing all program-related activities, including the maintenance of the District's master schedule to the master program budget.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accounting and financial treatment applied to the Measure V Bond Construction Fund is determined by its measurement focus. The Measure V Bond Construction Fund is a governmental fund and is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance for this fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fund Accounting

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

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Measure V Bond Construction Fund
Notes to the Financial Statements
June 30, 2013
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Note 2: Summary of Significant Accounting Policies (Continued)

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Barbara County Treasury, an external investment pool. The County pools these funds with those of other governmental entities in the county and invests the cash. These pooled funds are carried at fair value. Interest is earned based on average daily balance and is deposited quarterly into participating funds. Any investment gains and losses are proportionately shared by all funds in the pool. The County is restricted by the California Government Code to invest in obligations issued by the United States Treasury; obligations, participations, or other instruments of or issued by a federal agency or a United States government sponsored enterprise; obligations of state and local agencies of this State; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term corporate notes; as well as other investments established by the California Government Code. The County's report discloses the required information in accordance with Governmental Accounting Standards Board Statements No. 3 and 40. Pooled investments are not required to be categorized by risk category.

Fund Balance

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components in accordance with GASB 54 – nonspendable, restricted, committed, assigned, and unassigned. The District has not formally adopted a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for a specific purpose. The components applicable to the District's Measure V Bond Construction as of June 30, 2013 are as follows:

Restricted - The portion of fund balance representing resources subject to externally imposed and legally enforceable constraints imposed either by external resource providers, e.g. grantors or creditors, or by law through constitutional provisions or enabling legislation.

Note 3: Excess of Expenditures and Other Uses Over Appropriations

There was no excess of expenditures over appropriations in the Measure V Bond Construction Fund as of June 30, 2013.

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Measure V Bond Construction Fund
Notes to the Financial Statements
June 30, 2013
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Note 4: General Obligation Bonds

On June 3, 2008, \$77,242,012 in General Obligation Bonds were authorized by an election held within the Santa Barbara Community College District. On December 11, 2008, \$47,000,000 of the general obligation bonds were sold under Proposition 39 (Measure V), which provides that proceeds of the bonds will be used to acquire, construct, renovate, furnish and equip school facilities and grounds, and make Santa Barbara Community College District eligible for millions in State matching funds. In May 2013, an additional \$15,000,000 of the general obligation bonds were sold under Proposition 39 (Measure V).

The outstanding general obligation bonded debt for the Measure V Bond Construction fund of the District at June 30, 2013 was as follows:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Bonds Outstanding June 30, 2012</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Bonds Outstanding June 30, 2013</u>
2008	3.50% - 5.25%	2034	\$ 47,000,000	\$ 44,805,000	\$ -	\$ 180,000	\$ 44,625,000
2013	1.25% - 5.00%	2039	\$ 15,000,000	\$ -	\$ 15,000,000	\$ -	\$ 15,000,000

At June 30, 2013, the annual requirements to amortize the above general obligation bonds outstanding were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 285,000	\$ 2,702,944	\$ 2,987,944
2015	1,740,000	2,809,337	4,549,337
2016	1,825,000	2,762,881	4,587,881
2017	1,230,000	2,714,350	3,944,350
2018	1,305,000	2,662,613	3,967,613
2019-2023	9,330,000	12,137,825	21,467,825
2024-2028	14,995,000	9,199,575	24,194,575
2029-2033	20,510,000	4,764,969	25,274,969
2034-2038	7,605,000	753,431	8,358,431
2039	800,000	20,000	820,000
Total	<u>\$ 59,625,000</u>	<u>\$ 40,527,925</u>	<u>\$ 100,152,925</u>

**Independent Auditors' 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
The Citizens' Bond Oversight Committee
Santa Barbara Community College District
Santa Barbara, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure V General Obligation Bonds (the Bond Construction Fund) of the Santa Barbara Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Bond Construction Fund's basic financial statements and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 opinion 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 entity'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.

**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
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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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



Glenn Burdette Attest Corporation
San Luis Obispo, California

December 9, 2013

**Santa Barbara Community College District
Measure V Bond Construction Fund
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2013**

There were no findings and questioned costs related to the financial audit of the Measure V Bond Construction Fund for the fiscal year ended June 30, 2013.

Santa Barbara Community College District
Measure V Bond Construction Fund
Summary Schedule of Prior Year Audit Findings - June 30, 2012
Year Ended June 30, 2013

There were no findings and questioned costs related to the financial audit of the Measure V Bond Construction Fund for the fiscal year ended June 30, 2012.

Agreed-Upon Procedures

**Independent Accountants' Report on
Applying Agreed-Upon Procedures**

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

We have performed the procedures enumerated below for the Measure V General Obligation Bonds requirements administered by the Santa Barbara Community College District (the District). The tasks we undertook were agreed to by the District's officials and were performed solely to assist the District and its management in fulfilling its oversight responsibility surrounding the administration of the District's Measure V Bond Construction Program under Proposition 39 requirements for the year ended June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

A. Procedure

Review compliance with the expenditure provision/restrictions in the Measure V Bond Issuance, including testing that teacher and administrative salaries, and operating costs have not been charged against Measure V monies.

Results

We obtained and inspected the expenditure provisions/restrictions imposed by the Measure V Bond Issuance. Of the transactions we tested (See Procedures C-G below), we noted that the District was in compliance with the expenditure provisions/restrictions in the Measure V Bond Construction Program.

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B. Procedure

Reconcile Measure V Bond Issuance project costs of the Santa Barbara Community College District General Obligation Bonds, Election of 2008 as of June 30, 2013, with the general ledger prepared by Santa Barbara Community College District staff.

Results

We obtained the general ledger prepared by District staff and reconciled it to the Measure V Bond Construction Fund's project costs for the year ended June 30, 2013.

We obtained the total project costs summarized in the Banner Financial Reports (Banner) for the District's Bond Construction Fund as of and for the year ended June 30, 2013 and compared them to the District's expenditures for the same time period. We noted no exceptions.

C. Procedure

Haphazardly select fifteen (15) expenditures and test the appropriateness of the classification to the project list of the Measure V Bond Issuance list of projects and that the project was listed in the Bond approved by the voters.

Results

Utilizing a listing of Measure V Bond Construction Fund expenditures provided to us by the District's management, we compared fifteen (15) Measure V expenditures (object codes 10-60) to Measure V expenditure classifications (projects and programs). We further reviewed the project list approved by voters for the Bond and ensured that expenditures related to a project approved by voters.

Based on the testwork performed, we noted no exceptions.

D. Procedure

Select five (5) change orders and review for appropriate authorization.

Results

We selected five (5) change orders noting appropriate authorization by the District's board.

Based on the testwork performed, we noted no exceptions.

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Santa Barbara Community College District
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E. Procedure

Prepare a schedule of all costs incurred between July 1, 2012 and June 30, 2013, by project, for the Measure V Bond funding.

Results

<u>Project Number</u>	<u>Project Description</u>	<u>Expenditures Incurred</u>
4600	Bond Administration	\$ 147,823
6555	Horticulture Fencing and Path ADA	7,900
6582	Drama Music Modernization	71,226
6586	Luria Conference and Press Center	1,546
6587	Bridge Seismic Eval and Repairs	55,430
6611	Install Electronic Locks	135,696
6660	Emergency Notification System	42,645
6663	LRC Remodel Phase I	645,829
6680	Snack Shop East Campus	24,539
6681	Snack Shop West Campus	106,674
6685	Upgrade Emergency Phone System	715
6687	Wake Cosmetology Conversion	2,840
6696	Physical Science Repair Columns	2,800
6698	East Campus Water Systems Upgrade	265,379
6700	Humanities Modernization	6,831,054
6701	Portable Building Permitting	7,946
6702	Campus Center Modernization	15,160
6722	Humanities Swing Space	648,288
6734	West Campus Classroom Building	515,630
		<u>\$ 9,529,120</u>

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Citizens' Bond Oversight Committee
Santa Barbara Community College District
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F. Procedure

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

Results

Project Description	Total Incurred Expenditures
Bond Administration	\$ 3,063,389
Horticulture Fencing and Path ADA	89,584
Paint IDC and Bus Comm	167,042
High Tech School of Media Arts	660,228
Multi-Disciplinary Building	5,250
East Campus All-Weather Bus Stop	2,500
Drama Music Modernization	17,126,558
Luria Conference and Press Center	1,204,164
Bridge Seismic Eval and Repairs	4,601,936
Portable Building Swing Space	1,467,475
Install Electronic Locks	256,785
Cafeteria Grease Trap and GDR Drains	475
Update ADA Compliance	6,918
EBS Hazardous Materials Storage	11
Early Learning Ctr. Modernization	185,356
Pigeon Decontamination	64,525
Replace Bleacher Seating La Playa	2,205
Repair and Refinish Trellis	164,307
Pershing Park Softball Upgrade	618,175
Upgrade Energy Mgmt. System	202,622
Replace Doors Sports Pavilion	221,416
Replace HVAC Units ECC1-15	56,140
Replace Locker Room Lockers	38,888
Landscape Ramps, 3rd Floor La Playa	83,082
PE Paint Hallways 1st and 2nd Floors	24,418
PE Recarpet Team/Locker Rooms	8,228
Sports Pavilion Paint	7,700
PE Exterior Paint	82,683
Emergency Notification System	301,647
LRC Heating Install Reheat System	998
LRC Remodel Phase I	906,867
MDT Resurface Driveway	36,966
MDT New Carpet	8,519
PE Upstairs Locker Room	2,290
OE 180 Replace Heating System	24,764

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<u>Project Description</u>	<u>Total Incurred Expenditures</u>
Campus Center Repair Columns	\$ 4,144
ECC and ESL	61,964
Replace Urinals, Toilets and Fountains	110,822
La Playa Track and Field Replacement	2,343,171
Snack Shop East Campus	24,539
Snack Shop West Campus	107,608
Student Services Replace Carpet	46,835
HRC, MDT, Admin Elevator Upgrade	121,213
Upgrade Emergency Phone System	66,017
Oak Restoration Video Surveillance	133,454
Wake Cosmetology Conversion	58,867
Wake - Resurface Parking Lot	126,616
Generator Supported Services	108,822
GDR Interior Upgrade	85,425
Physical Science Repair Columns	2,863
Energy Management System Phase II	1,598,106
East Campus Water Systems Upgrade	346,642
Network Infrastructure	500,000
Humanities Modernization	8,275,022
Portable Building Permitting	151,428
Campus Center Modernization	324,379
Parking Pay Stations	128,977
ECC Exterior Paint	15,251
Humanities Swing Space	1,203,482
West Campus Classroom Building	515,630
	<u>\$ 48,155,388</u>

**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
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G. Procedure

Prepare a schedule that summarizes the makeup of Other Operating Expenses and Services for the year ended June 30, 2013.

Results

Other Operating Expenses & Services		
522000	Travel & Conferences	\$ 480
560170	Moving & Storage	56,707
562000	Contacts - Other	3,600
573100	Legal Expenses	10,092
585000	Advertising & Marketing	1,167
		\$ 72,046

H. Procedure

Calculate the balance available for expenditure of bond proceeds related to the approved projects within the Bond Construction Fund at June 30, 2013. (This will include a review of the open contracts, notices of completion and retention balances, and analysis of the work in process.)

Results

<u>Fund 42</u>	
Beginning fund balance	\$ 9,627,410
Bond issuance	15,000,000
Current period interest revenue	26,838
Expenditures (July 1, 2012 through June 30, 2013)	(9,529,120)
Calculated fund balance at June 30, 2013	\$ 15,125,128

**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
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We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the District's administration of the Measure V Bond Construction Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees and management of the Santa Barbara Community College District, and the Citizen's Bond Oversight Committee, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Glenn Burdette Attest Corporation". The signature is written in a cursive, flowing style.

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 9, 2013