

**Santa Barbara Community College District
Measure V Bond Construction Fund
Financial Statements
and
Agreed-Upon Procedures
Year Ended June 30, 2012**

**Santa Barbara Community College District
Measure V Bond Construction Fund
Year Ended June 30, 2012**

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Independent Auditors' Report

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

We have audited the balance sheet as of June 30, 2012 and the related statement of revenues, expenditures, and changes in fund balance of the Measure V General Obligation Bonds (the Bond Construction Fund) of the Santa Barbara Community College District (the District) for the fiscal year ended June 30, 2012, 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.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure V Bond Construction Fund of the Santa Barbara Community College District as of June 30, 2012, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012, on our consideration of the Santa Barbara Community College 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "GLENN BURDETTE ATTEST CORPORATION". The signature is written in a cursive, slightly slanted style.

Glenn Burdette Attest Corporation
San Luis Obispo, California

November 9, 2012

Santa Barbara Community College District
Measure V Bond Construction Fund
Balance Sheet
June 30, 2012

Assets

Cash in county treasury	\$ 10,194,396
Accounts receivable	<u>16,410</u>
Total assets	<u><u>\$ 10,210,806</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued liabilities	\$ 583,216
Due to other funds	<u>180</u>
Total liabilities	<u><u>583,396</u></u>

Fund balance:

Restricted	<u>9,627,410</u>
Total fund balance	<u><u>9,627,410</u></u>

Total liabilities and fund balance	<u><u>\$ 10,210,806</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, 2012

Revenues:	
Local revenue	\$ 79,681
Total revenues	<u>79,681</u>
 Expenditures:	
Academic salaries	18,335
Classified salaries	50,868
Employee benefits	3,911
Books and supplies	1,410
Services and other operating expenditures	234,391
Capital outlay	10,874,441
Total expenditures	<u>11,183,356</u>
Excess of expenditures over revenues	(11,103,675)
 Fund balance - beginning of year	 <u>20,731,085</u>
 Fund balance - end of year	 <u><u>\$ 9,627,410</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, 2012

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 included in the Board of Trustees' approved Long Range Facilities Plan, which details the scope of work to be done for each project. 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 approved District Program Managers. Program Managers are 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 balances 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.

Santa Barbara Community College District
Measure V Bond Construction Fund
Notes to the Financial Statements
June 30, 2012
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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 are 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, 2012 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, 2012.

Santa Barbara Community College District
Measure V Bond Construction Fund
Notes to the Financial Statements
June 30, 2012
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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.

The outstanding general obligation bonded debt for the Measure V Bond Construction fund of the District at June 30, 2012 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, 2011</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Bonds Outstanding June 30, 2012</u>
2008	3.50% - 5.25%	2034	\$ 47,000,000	\$ 44,905,000	\$ -	\$ 100,000	\$ 44,805,000

At June 30, 2012, 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>
2013	\$ 180,000	\$ 2,316,550	\$ 2,496,550
2014	285,000	2,308,056	2,593,056
2015	445,000	2,293,812	2,738,812
2016	565,000	2,272,906	2,837,906
2017	735,000	2,240,687	2,975,687
2018-2022	6,390,000	10,326,212	16,716,212
2023-2027	11,480,000	8,068,306	19,548,306
2028-2032	16,700,000	4,394,247	21,094,247
2033-2034	8,025,000	427,224	8,452,224
Total	\$ 44,805,000	\$ 34,648,000	\$ 79,453,000

**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 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, 2012, and have issued our report thereon dated November 9, 2012. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

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**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
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Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, the Citizens' Bond Oversight Committee, the California Department of Education, the State Controller's Office, the California Department of Finance and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Glenn Burdette Attest Corporation
San Luis Obispo, California

November 9, 2012

**Santa Barbara Community College District
Measure V Bond Construction Fund
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2012**

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.

Santa Barbara Community College District
Measure V Bond Construction Fund
Summary Schedule of Prior Year Audit Findings - June 30, 2011
Year Ended June 30, 2012

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, 2011.

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, 2012. 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, 2012, 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, 2012.

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, 2012 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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Citizens' Bond Oversight Committee
Santa Barbara Community College District
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E. Procedure

Prepare a schedule of all costs incurred between July 1, 2011 and June 30, 2012, by project, for the Measure V Bond funding.

Results

<u>Project Number</u>	<u>Project Description</u>	<u>Expenditures Incurred</u>
4600	Bond Administration	\$ 708,341
6555	Horticulture Fencing and Path ADA	35,190
6561	Paint IDC and Bus Comm	8,098
6582	Drama Music Modernization	7,499,178
6587	Bridge Seismic Eval and Repairs	34,282
6611	Install Electronic Locks	50,595
6638	Cafeteria Grease Trap and GDR Drains	475
6644	Perishing Park Softball Upgrade	7,725
6646	Replace Doors Sports Pavilion	162,076
6648	Replace Locker Room Lockers	38,888
6660	Emergency Notification System	230,611
6662	LRC Heating Install Reheat System	998
6663	LRC Remodel Phase I	255,067
6675	Replace Urinals, Toilets and Fountains	110,503
6677	La Playa Track and Field Replacement	10,813
6681	Snack Shop West Campus	552
6682	Student Services Replace Carpet	21,801
6686	Oak Restoration Video Surveillance	91,053
6687	Wake Cosmetology Conversion	55,525
6695	GDR Interior Upgrade	9,579
6697	Energy Management System Phase II	638,604
6698	East Campus Water Systems Upgrade	13,655
6700	Humanities Modernization	409,656
6701	Portable Building Permitting	90,023
6702	Campus Center Modernization	144,874
6722	Humanities Swing Space	555,194
		<u>\$ 11,183,356</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	\$ 2,915,566
Horticulture Fencing and Path ADA	81,684
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	17,055,332
Luria Conference and Press Center	1,202,618
Bridge Seismic Eval and Repairs	4,546,506
Portable Building Swing Space	1,467,475
Install Electronic Locks	121,089
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	259,002
LRC Heating Install Reheat System	998
LRC Remodel Phase I	261,038
MDT Resurface Driveway	36,966
MDT New Carpet	8,519
PE Upstairs Locker Room	2,290
OE 180 Replace Heating System	24,764

**Board of Trustees and
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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 West Campus	934
Student Services Replace Carpet	46,835
HRC, MDT, Admin Elevator Upgrade	121,213
Upgrade Emergency Phone System	65,302
Oak Restoration Video Surveillance	133,454
Wake Cosmetology Conversion	56,027
Wake - Resurface Parking Lot	126,616
Generator Supported Services	108,822
GDR Interior Upgrade	85,425
Physical Science Repair Columns	63
Energy Management System Phase II	1,598,106
East Campus Water Systems Upgrade	81,263
Network Infrastructure	500,000
Humanities Modernization	1,443,968
Portable Building Permitting	143,482
Campus Center Modernization	309,219
Parking Pay Stations	128,977
ECC Exterior Paint	15,251
Humanities Swing Space	555,194
	<u>\$ 38,626,268</u>

G. Procedure

Calculate the balance available for expenditure of bond proceeds related to the approved projects within the Bond Construction Fund at June 30, 2012. (This will include a review of the open contracts, notices of completion and retention balances, and analysis of the work in process.)

Results

Fund 42

Beginning fund balance	\$ 20,731,085
Current period interest revenue	79,681
Expenditures (July 1, 2011 through June 30, 2012)	<u>(11,183,356)</u>
Calculated fund balance at June 30, 2012	<u>\$ 9,627,410</u>

**Board of Trustees and
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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.



Glenn Burdette Attest Corporation
San Luis Obispo, California

November 9, 2012