

**Santa Barbara Community College District
Measure V Bond Construction Fund
Financial Statements
and
Agreed-Upon Procedures
Year Ended June 30, 2011**

**Santa Barbara Community College District
Measure V Bond Construction Fund
Year Ended June 30, 2011**

Table of Contents

	Page
Independent Auditors' Report	3-4
<i>Financial Statements</i>	
Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6
Notes to Financial Statements	7-9
Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10-11
Schedule of Findings and Questioned Costs	12
Summary Schedule of Prior Year Findings - June 30, 2010	13
<i>Agreed-Upon Procedures Report</i>	
Independent Accountants' Report on Applying Agreed-Upon Procedures	15
Procedures Performed and Results of Procedures	15-20

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, 2011 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, 2011, 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, 2011, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

3

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**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
Page 2**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011, 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.



Glenn Burdette
Certified Public Accountants
San Luis Obispo, California

November 10, 2011

Santa Barbara Community College District
Measure V Bond Construction Fund
Balance Sheet
June 30, 2011

Assets

Cash in county treasury	\$ 23,327,446
Accounts receivable	<u>43,146</u>
Total assets	<u><u>\$ 23,370,592</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued liabilities	\$ 2,631,081
Due to other funds	<u>8,426</u>
Total liabilities	<u><u>2,639,507</u></u>

Fund balance:

Restricted	<u>20,731,085</u>
Total fund balance	<u><u>20,731,085</u></u>

Total liabilities and fund balance	<u><u>\$ 23,370,592</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, 2011

Revenues:	
Local revenue	\$ 223,992
Total revenues	<u>223,992</u>
 Expenditures:	
Academic salaries	22,687
Employee benefits	2,764
Books and supplies	2,754
Services and other operating expenditures	144,055
Capital outlay	<u>14,621,923</u>
Total expenditures	<u>14,794,183</u>
Excess of expenditures over revenues	(14,570,191)
 Fund balance - beginning of year	 <u>35,301,276</u>
 Fund balance - end of year	 <u><u>\$ 20,731,085</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, 2011

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, 2011
Page 2

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, 2011 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, 2011.

Santa Barbara Community College District
Measure V Bond Construction Fund
Notes to the Financial Statements
June 30, 2011
Page 3

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, 2011 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, 2010</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Bonds Outstanding June 30, 2011</u>
2008	3.50% - 5.25%	2034	\$ 47,000,000	\$ 45,940,000	\$ -	\$ 1,035,000	\$ 44,905,000

At June 30, 2011, 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>
2012	\$ 100,000	\$ 2,321,450	\$ 2,421,450
2013	180,000	2,316,550	2,496,550
2014	285,000	2,308,056	2,593,056
2015	445,000	2,293,813	2,738,813
2016	565,000	2,272,906	2,837,906
2017-2021	5,440,000	10,645,825	16,085,825
2022-2026	10,410,000	8,619,000	19,029,000
2027-2031	15,750,000	5,246,062	20,996,062
2032-2034	11,730,000	945,788	12,675,788
Total	\$ 44,905,000	\$ 36,969,450	\$ 81,874,450



**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, 2011, and have issued our report thereon dated November 10, 2011. 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

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.

**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
Page 2**

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
Certified Public Accountants
San Luis Obispo, California

November 10, 2011

**Santa Barbara Community College District
Measure V Bond Construction Fund
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2011**

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.

Santa Barbara Community College District
Measure V Bond Construction Fund
Summary Schedule of Prior Year Audit Findings - June 30, 2010
Year Ended June 30, 2011

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, 2010.

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

At your request, 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, 2011. 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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**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
Page 2**

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, 2011, 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, 2011.

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, 2011 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.

**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
Page 3**

E. Procedure

Prepare a schedule of all costs incurred between July 1, 2010 and June 30, 2011, by project, for the Measure V Bond funding.

Results

<u>Project Number</u>	<u>Project Description</u>	<u>Expenditures Incurred</u>
4600	Bond Administration	\$ 932,639
6555	Horticulture Fencing and Path ADA	46,494
6561	Paint IDC and Bus Comm	158,944
6567	High Tech School of Media Arts	(350,955)
6568	Multi-Disciplinary Building	5,250
6576	East Campus All-Weather Bus Stop	2,500
6582	Drama Music Modernization	8,980,518
6586	Luria Conference and Press Center	199,011
6587	Bridge Seismic Eval and Repairs	4,446
6611	Install Electronic Locks	12,957
6637	Early Learning Ctr. Modernization	99,492
6639	Pigeon Decontamination	64,525
6643	Repair and Refinish Trellis	164,105
6644	Perishing Park Softball Upgrade	569,146
6646	Replace Doors Sports Pavilion	58,146
6647	Replace HVAC Units ECC1-15	40,000
6649	Landscape Ramps, 3rd Floor La Playa	3,921
6651	PE Recarpet Team/Locker Rooms	8,228
6655	PE Exterior Paint	82,683
6660	Emergency Notification System	28,391
6663	LRC Remodel Phase I	3,974
6667	PE Upstairs Locker Room	2,290
6672	ECC and ESL	61,964
6675	Replace Unrinals, Toilets and Fountains	319
6677	La Playa Track and Field Replacement	1,102,536
6681	Snack Shop West Campus	382
6682	Student Services Replace Carpet	25,034
6684	HRC, MDT, Admin Elevator Upgrade	64,970
6685	Upgrade Emergency Phone System	11,664
6686	Oak Restoration Video Surveillance	40,601
6687	Wake Cosmetology Conversion	327
6688	Wake - Resurface Parking Lot	121,545
6994	Generator Supported Services	61,291
6695	GDR Interior Upgrade	59,306
6697	Energy Management System Phase II	558,778
6698	East Campus Water Systems Upgrade	56,088

**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
Page 4**

<u>Project Number</u>	<u>Project Description</u>	<u>Expenditures Incurred</u>
6699	Network Infrastructure	\$ 485,000
6700	Humanities Modernization	899,207
6701	Portable Building Permitting	33,839
6702	Campus Center Modernization	92,496
6703	Parking Pay Stations	2,131
		<u>\$ 14,794,183</u>

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

<u>Project Description</u>	<u>Total Incurred Expenditures</u>
Bond Administration	\$ 2,207,225
Horticulture Fencing and Path ADA	46,494
Paint IDC and Bus Comm	158,944
High Tech School of Media Arts	660,228
Multi-Disciplinary Building	5,250
East Campus All-Weather Bus Stop	2,500
Drama Music Modernization	9,556,154
Luria Conference and Press Center	1,202,618
Bridge Seismic Eval and Repairs	4,512,224
Portable Building Swing Space	1,467,475
Install Electronic Locks	70,494
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
Perishing Park Softball Upgrade	610,450
Upgrade Energy Mgmt. System	202,622
Replace Doors Sports Pavilion	59,340
Replace HVAC Units ECC1-15	56,140
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

**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
Page 5**

<u>Project Description</u>	<u>Total Incurred Expenditures</u>
PE Exterior Paint	\$ 82,683
Emergency Notification System	28,391
LRC Remodel Phase I	5,971
MDT Resurface Driveway	36,966
MDT New Carpet	8,519
PE Upstairs Locker Room	2,290
OE 180 Replace Heating System	24,764
Campus Center Repair Columns	4,144
ECC and ESL	61,964
Replace Urinals, Toilets and Fountains	319
La Playa Track and Field Replacement	2,332,358
Snack Shop West Campus	382
Student Services Replace Carpet	25,034
HRC, MDT, Admin Elevator Upgrade	121,213
Upgrade Emergency Phone System	65,302
Oak Restoration Video Surveillance	42,401
Wake Cosmetology Conversion	502
Wake - Resurface Parking Lot	126,616
Generator Supported Services	108,822
GDR Interior Upgrade	75,846
Physical Science Repair Columns	63
Energy Management System Phase II	959,502
East Campus Water Systems Upgrade	67,608
Network Infrastructure	500,000
Humanities Modernization	1,034,312
Portable Building Permitting	53,459
Campus Center Modernization	164,345
Parking Pay Stations	128,977
ECC Exterior Paint	15,251
	<u>\$ 27,442,912</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, 2011. (This will include a review of the open contracts, notices of completion and retention balances, and analysis of the work in process.)

**Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
Page 6**

Results

Fund 42

Beginning fund balance	\$ 35,301,276
Current period interest revenue	223,992
Expenditures (July 1, 2010 through June 30, 2011)	<u>(14,794,183)</u>
Calculated fund balance at June 30, 2011	<u>\$ 20,731,085</u>

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

Glenn Burdette
Certified Public Accountants
San Luis Obispo, California

November 10, 2011