

**Santa Barbara Community College District
General Obligation Bonds
Election of 2008
Financial Statements
and
Agreed-Upon Procedures
Year Ended June 30, 2009**

SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V BOND CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2009

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Principals:

David W. Phillips, CPA
David A. Bryson, CPA
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CERTIFIED PUBLIC ACCOUNTANTS
TAX AND BUSINESS ADVISORS

Emeritus:

Fred L. Glenn
Stephen A. Burdette
Bradford M. Hair, CPA

Keith V. Lapp (1932-2008)

Independent Auditors' Report

Board of Trustees
The Citizens' Bond Oversight Committee
Santa Barbara Community College District
Santa Barbara, California 93109

We have audited the balance sheet as of June 30, 2009 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) as of and for the fiscal year ended June 30, 2009, 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, 2009, 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
The 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 5, 2009, 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, Phillips & Bryson
Certified Public Accountants
A Professional Corporation
San Luis Obispo, California

November 5, 2009

SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V BOND CONSTRUCTION FUND
BALANCE SHEET
JUNE 30, 2009

ASSETS

Cash in county treasury	\$ 43,546,495
Accounts receivable	<u>158,186</u>
Total Assets	<u><u>\$ 43,704,681</u></u>

LIABILITIES AND FUND BALANCE

<u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 506,548
Total liabilities	<u>506,548</u>
 <u>Fund Balance</u>	
Unreserved	<u>43,198,133</u>
Total fund balance	<u><u>43,198,133</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 43,704,681</u></u>

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, 2009

<u>Revenues</u>	
Revenue limit sources:	
State apportionments	\$ 47,000,000
Total revenue limit sources	<u>47,000,000</u>
Other local revenue	<u>466,267</u>
Total revenues	<u>47,466,267</u>
<u>Expenditures</u>	
Academic salaries	7,837
Classified salaries	18,238
Employee benefits	402
Books and supplies	4,614
Services and other operating expenditures	101,523
Capital outlay	<u>4,135,520</u>
Total expenditures	<u>4,268,134</u>
Excess of Revenues Over Expenditures	43,198,133
<u>Fund Balances - Beginning of Year</u>	<u>-</u>
<u>Fund Balances - End of Year</u>	<u>\$ 43,198,133</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, 2009

Note 1 - Summary of Significant Accounting Policies

A. Measure V Bond Construction Program Background

The Board of Trustees 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 Bond initiative authorized the issuance of \$77,000,000 in bonds. The proceeds from the Measure V 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 Program 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 District has established a Bond Charging Policy to outline the allowable expenditures for the Measure V Bond Construction Program's related costs. Such policies specifically state that no funds will be spent for teacher or administrator salaries or for operating expenses. The bond proceeds and project costs are accounted for in the District's Bond Construction Fund.

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.

B. Basis of Presentation

The accounting and financial treatment applied to the Measure V Bond Construction Fund is determined by its measurement focus. All governmental funds are 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 these funds presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. 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, 2009
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Note 2 - 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.

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, 2009.

Note 4 - General Obligation Bonds

On June 3, 2008, \$77,000,000 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, 2009 is 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, 2008</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Bonds Outstanding June 30, 2009</u>
2008	3.50% - 5.25%	2031	\$47,000,000	\$	\$ 47,000,000	\$	\$ 47,000,000

SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V BOND CONSTRUCTION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009
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Note 4 - General Obligation Bonds (Continued)

The annual requirements to amortize the above general obligation bonds outstanding at June 30, 2009, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,060,000	\$ 2,385,800	\$ 3,445,800
2011	1,035,000	2,343,900	3,378,900
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
2015-2019	3,750,000	11,140,994	14,890,994
2020-2024	8,315,000	9,558,775	17,873,775
2025-2029	13,680,000	6,781,181	20,461,181
2030-2031	<u>18,595,000</u>	<u>2,542,444</u>	<u>21,137,444</u>
Total	<u>\$ 47,000,000</u>	<u>\$41,699,150</u>	<u>\$ 88,699,150</u>

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CERTIFIED PUBLIC ACCOUNTANTS
TAX AND BUSINESS ADVISORS

**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 93109

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, 2009, and have issued our report thereon dated November 5, 2009. 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 Santa Barbara Community College 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the 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 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, Phillips & Bryson
Certified Public Accountants
A Professional Corporation
San Luis Obispo, California

November 5, 2009

SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V BOND CONSTRUCTION FUND
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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, 2009.

AGREED-UPON PROCEDURES

Principals:

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

The Board of Trustees and
Citizens' Bond Oversight Committee
Santa Barbara Community College District
Santa Barbara, California 93109

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, 2009. 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.

During our testwork, we identified that a portion of a teacher's salary was charged to the Bond Construction fund. It was determined through inquiry with District personnel that the teacher's salary was for non-instructional time. This time was spent overseeing the move of equipment and related fixtures under the Drama Modernization project which is an approved project under the Measure V Bond Construction Program. In accordance with the opinion issued by the California Office of the Attorney General, overseeing of construction projects does not fall under the category of everyday school operating expenses or ongoing operations and therefore is considered part of the construction, reconstruction, rehabilitation, or replacement of school facilities for which the bond measure embraces. Although this opinion is not authoritative, it is a commonly accepted interpretation of the use of bond funds under Proposition 39. Therefore charging this teacher's salary for the previously described non-instructional time is an allowable expenditure imposed by the Measure V Bond Issuance.

B. Procedure

Reconcile Measure V School Bond project costs of the Santa Barbara Community College District General Obligation Bonds, Election of 2008 as of June 30, 2009, 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, 2009.

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, 2009 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 20-60) 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) changed orders noting appropriate authorization by the District's board.

Based on the testwork performed, we noted no exceptions.

E. Procedure

Prepare a schedule of all costs incurred between July 1, 2008 and June 30, 2009, by project, for the Measure V Bond funding.

Results

<u>Project Number</u>	<u>Project Description</u>	<u>Expenditures Incurred</u>
4600	Bond Administration	\$ 435,566
6567	High Tech School of Media Arts	908,284
6582	Drama Music Modernization	895,727
6586	Luria Conference and Press Center	235,818
6587	Bridge Seismic Eval and Repairs	50,572
6599	Portable Building Swing Space	1,371,717
6611	Install Electronic Locks	29,402
6619	Update ADA Compliance	6,918
6637	Early Learning Ctr. Modernization	9,052
6640	Replace Bleacher Seating La Playa	2,205
6645	Upgrade Energy Mgmt. System	202,622
6649	Landscape Ramps, 3rd Floor La Playa	26,182
6671	Campus Center Repair Columns	3,250
6684	HRC, MDT, Admin Elevator Upgrade	56,243
6686	Upgrade Emergency Phone System	34,576
		<u>\$ 4,268,134</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	\$ 435,566
High Tech School of Media Arts	908,284
Drama Music Modernization	895,727
Luria Conference and Press Center	235,818
Bridge Seismic Eval and Repairs	50,572
Portable Building Swing Space	1,371,717
Install Electronic Locks	29,402
Update ADA Compliance	6,918
Early Learning Ctr. Modernization	9,052
Replace Bleacher Seating La Playa	2,205
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Landscape Ramps, 3rd Floor La Playa	26,182
Campus Center Repair Columns	3,250
HRC, MDT, Admin Elevator Upgrade	56,243
Upgrade Emergency Phone System	34,576
	<u>\$ 4,268,134</u>

G. Procedure

Calculate the balance available for expenditure of bond proceeds related to the approved projects within the bond project find at June 30, 2009. (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	<u>\$ -</u>
Bond issuance	47,000,000
Current period interest revenue	466,267
Expenditures (July 1, 2008 through June 30, 2009)	<u>(4,268,134)</u>
Calculated fund balance at June 30, 2009	<u>\$ 43,198,133</u>

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

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.



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November 5, 2009