

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

**MEASURE V GENERAL OBLIGATION BONDS
ELECTION 2008**

FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2018

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

**MEASURE V GENERAL OBLIGATION BONDS
ELECTION 2008**

FINANCIAL AUDIT

JUNE 30, 2018

**SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V GENERAL OBLIGATION BOND FUND**

**FINANCIAL AUDIT
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JUNE 30, 2018**

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Santa Barbara Community College District's (the District) Measure V General Obligation Bond Fund (General Obligation Bonds, Election 2008), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 respective financial position of the Measure V General Obligation Bond Fund (General Obligation Bonds, Election 2008) of the District at June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure V General Obligation Bond Fund specific to General Obligation Bonds, Election 2008, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of the District's Measure V General Obligation Bond Fund's (General Obligation Bonds, Election 2008) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Measure V General Obligation Bond Fund's (General Obligation Bonds, Election 2008) 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 Measure V General Obligation Bond Fund's (General Obligation Bonds, Election 2008) internal control over financial reporting and compliance.

 Vanessa T. Day & Co. LLP

Rancho Cucamonga, California
December 5, 2018

**SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V GENERAL OBLIGATION BOND FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

REVENUES

Local revenues \$ 16,093

EXPENDITURES

Supplies and materials 7,959

Services and other expenditures 35,071

Capital outlay 3,437,252

Total Expenditures 3,480,282

EXCESS OF EXPENDITURES OVER REVENUES (3,464,189)

FUND BALANCE, BEGINNING OF YEAR 3,464,189

FUND BALANCE, END OF YEAR \$ -

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

SANTA BARBARA COMMUNITY COLLEGE DISTRICT MEASURE V GENERAL OBLIGATION BOND FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Santa Barbara Community College District's (the District) Measure V General Obligation Bond Fund conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's Measure V General Obligation Bond Fund accounts for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The audited financial statements include only the Measure V General Obligation Bond Fund of the District. This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bond Election of June 2008. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

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

Basis of Accounting

The Bond Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's Board of Trustees adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V GENERAL OBLIGATION BOND FUND**

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

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Measure V General Obligation Bond Fund at June 30, 2018.

INDEPENDENT AUDITOR'S REPORT



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Santa Barbara Community College District's (the District) Measure V General Obligation Bond Fund (General Obligation Bonds, Election 2008), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2018.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure V General Obligation Bond Fund specific to General Obligation Bonds, Election 2008, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's Measure V General Obligation Bond Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's Measure V General Obligation Bond Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's Measure V General Obligation Bond Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's Measure V General Obligation Bond Fund's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 Measure V General Obligation Bond Fund'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 testing 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 District's Measure V General Obligation Bond Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure V General Obligation Bond Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
December 5, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V GENERAL OBLIGATION BOND FUND**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2018**

None reported.

**SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V GENERAL OBLIGATION BOND FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

There were no audit findings reported in the prior year's Financial Statement Findings.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

**MEASURE V GENERAL OBLIGATION BONDS
ELECTION 2008**

PERFORMANCE AUDIT

JUNE 30, 2018

**SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V GENERAL OBLIGATION BOND FUND**

**PERFORMANCE AUDIT
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JUNE 30, 2018**

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of Santa Barbara Community College District's (the District) Measure V General Obligation Bond Fund (General Obligation Bonds, Election 2008) funds for the year ended June 30, 2018.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District's Measure V General Obligation Bond Fund funds are in compliance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Vavrinek Trine Day & Co. LLP

Rancho Cucamonga, California
December 5, 2018

SANTA BARBARA COMMUNITY COLLEGE DISTRICT MEASURE V GENERAL OBLIGATION BOND FUND

JUNE 30, 2018

AUTHORITY FOR ISSUANCE

The Measure V General Obligation Bonds (the Bonds) were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of Santa Barbara County (the County Resolution), pursuant to a request of the Santa Barbara Community College District (the District) made by a resolution adopted by the Board of Education of the District (the District Resolution).

The District received authorization from an election held on June 3, 2008, to issue bonds of the District in an aggregate principal amount not to exceed \$77.2 million to finance specific acquisition, construction, and modernization projects approved by eligible voters within the District. The Measure required approval by at least 55 percent of the votes cast by eligible voters within the District. The Measure V Bond Funds represent the authorized bond issuance of the Series 2008A, 2008B, 2008C, and 2016 Refunding Bonds.

PURPOSE OF ISSUANCE

Pursuant to the 2008 Authorization, the proceeds of the Bonds will be used to finance the repair, renovation, and construction of facilities noted on a specific Project List for facilities of the District. The bond project list includes:

- Repair, upgrade, and/or replace obsolete classrooms, science and computer labs, instructional facilities, sites and utilities for safety and energy efficiency and sustainability
- Upgrade, convert, build and/or expand classroom buildings and facilities to maintain affordable, local higher education
- Technology upgrades/Computer centers
- Improve campus safety
- Repair, replace, and upgrade aging electrical and mechanical systems to reduce energy consumption and utility bills

SANTA BARBARA COMMUNITY COLLEGE DISTRICT MEASURE V GENERAL OBLIGATION BOND FUND

JUNE 30, 2018

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.
3. Requires the community college district to appoint a Citizens' Oversight Committee.
4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

Determine whether expenditures charged to the Bonds have been made in accordance with the Bond project list approved by the voters through the approval of the Measure V.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2018, were not reviewed or included within the scope of our audit or in this report.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT MEASURE V GENERAL OBLIGATION BOND FUND

JUNE 30, 2018

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2018, for the Measure V General Obligation Bond Funds. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure V as to the approved bond projects list. We performed the following procedures:

1. We reviewed the general ledger and verified that a separate Bond Fund of the District has been established to account for the receipt of Bond proceeds and expenditure of the funds for the period July 1, 2017 through June 30, 2018.
2. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
3. Our sample included transactions totaling \$2,092,917. This represents 60 percent of the total expenditures of \$3,480,282.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Santa Barbara Community College District has properly accounted for the expenditures held in the Measure V General Obligation Bond Fund and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Bonds for District general administration or operations. District procedures for disbursement of funds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees.

**SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V GENERAL OBLIGATION BOND FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

None reported.

**SANTA BARBARA COMMUNITY COLLEGE DISTRICT
MEASURE V GENERAL OBLIGATION BOND FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.