Santa Barbara Community College District

Santa Barbara, California

Audit Report

Year Ended June 30, 2015

Santa Barbara Community College District

Financial Statements

June 30, 2015

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Financial Section

GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Financial Statements

Board of Trustees
Santa Barbara Community College District
Santa Barbara, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Santa Barbara Community College District (the District) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively the District's basic financial statements as listed in the table of contents. The discretely presented component unit financial statements of the Foundation for Santa Barbara City College as of and for the fiscal year ended June 30, 2015, were audited by other auditors whose report dated September 30, 2015, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2015, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 in the financial statements, during the year ended June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 16, the Schedule of Funding Progress for OPEB Obligation on page 53, the Schedule of Changes in the Net Pension Liability and Related Ratios – CalPERS on page 54 , the Schedule of Changes in the Net Pension Liability and Related Ratios – CalSTRS on page 55, the Schedule of Contributions – CalPERS on page 56 and the Schedule of Contributions – CalSTRS on page 57 be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 59 through 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and No-Profit Organizations*, and is not a required part of the basic financial statements.

The supplementary information on pages 59 through 71 and the schedule of expenditures of federal awards on page 60 are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 59 through 71 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

November 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Santa Barbara Community College District's ("District") Financial Report presents a narrative overview and analysis of the District's financial activities for the fiscal year that ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements.

INTRODUCTION TO THE BASIC FINANCIAL STATEMENT

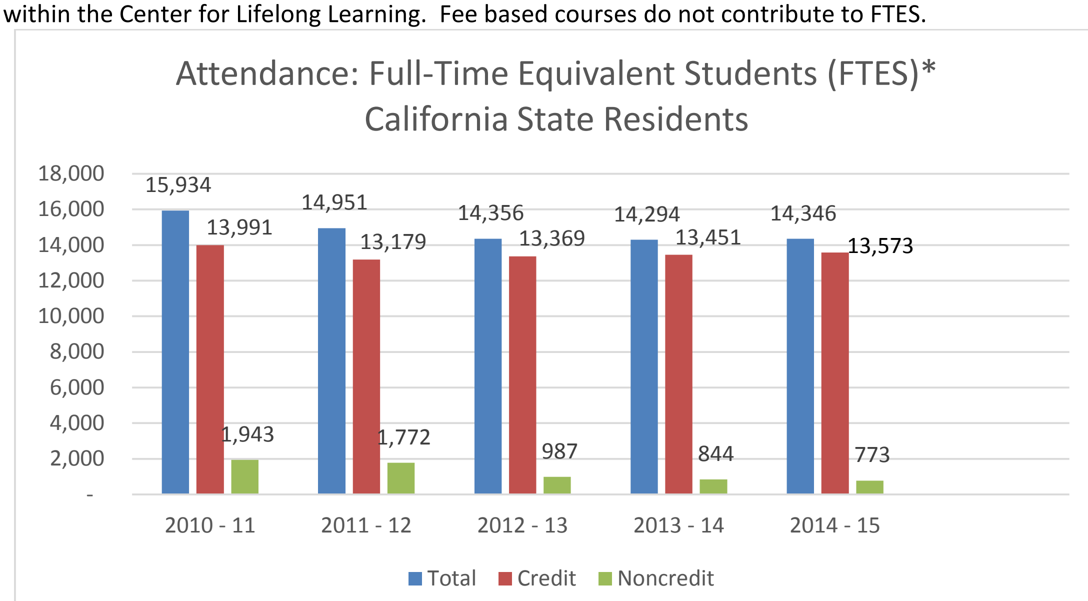
This Annual Report consists of four components: (1) Management's Discussion and Analysis, (2) Basic Financial Statements, (3) Notes to the Basic Financial Statements, and (4) Supplementary Information, which among other things includes federal and state compliance items.

The Annual Report also includes the discretely presented financial statements of the Foundation for SBCC which is considered a component unit of the District according to government accounting standards. Full information about the Foundation for SBCC can be found in the audited financial statements available from the Foundation's office at 721 Cliff Drive, Santa Barbara, CA 93109.

This years' Annual Report introduces a change to our existing accounting and reporting principles. The District adopted Statement No. 68, *Accounting and Financial Reporting for Pensions* of the Government Accounting Standards Board (GASB). GASB 68 requires the District to record its share of the systems' total liabilities for these benefits. Both CalPERS and CalSTRS have less funding than their actuarial studies say is needed to provide benefits for current and future retirees. As a result, the district will record an additional $70 million of liability on the 6/30/2015 Statement of Net Position, which is the districts share of these unfunded liabilities. While the district maintains a positive net position overall, the implementation of GASB 68 has caused the unrestricted portion of net position to go into the negative.

Financial Highlights

- The District's primary funding source is apportionment received from the State of California. The main basis of this apportionment is student attendance as measured by Full-Time Equivalent Students ("FTES"). During the 2014-15 fiscal year, Resident FTES was 14,346, an increase of 52 FTES or 0.4% from the prior year.
- Enrollment of nonresident student at 2,818 FTES was 341 FTES or 14% more than the prior year.
- Non-credit enrollment has decreased due to the conversion of non-credit courses to fee based courses within the Center for Lifelong Learning. Fee based courses do not contribute to FTES.



*Full-time equivalent students are based on the District's annual attendance report, Form CCFS-320 filed with the State Chancellor's Office.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position is the difference between assets and liabilities and is a measurement of the financial health of the District.

Summarized Statement of Net Position as of June 30, 2014 and 2015

	(in thousands)		
	2014	**2015**	**Change**
Assets			
Current assets			
Cash and cash equivalents	$ 69,224	$ 74,835	8%
Receivables	15,409	6,453	-58%
Inventory and other assets	1,257	1,352	8%
Total current assets	85,890	82,640	-4%
Noncurrent assets			
Capital assets, net	139,281	141,709	2%
Total Assets	225,171	224,349	0%
Deferred Outflows of resources			
Pension deferrals		6,973	100%
Total deferred outflows of resources	-	6,973	100%
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	9,454	10,816	14%
Deferred revenue	8,256	10,649	29%
Interest payable	1,181	1,163	-2%
Bond payable, current portion	1,740	1,825	5%
Loan payable, current portion	283	290	2%
Refundable advances, net of current portion	177	239	35%
Amounts held for others	62	69	11%
Total current liabilities	21,153	25,051	18%
Noncurrent liabilities			
Compensated absences-noncurrent portion	1,950	2,005	3%
Net Pension Liability		70,056	100%
Bond payable-noncurrent portion	57,600	55,775	-3%
Net OPEB obligation	2,046	2,388	17%
Loan payable	2,268	1,978	-13%
Bond premium	1,702	1,626	-4%
Refundable advances, net of current portion	917	970	6%
Total Liabilities	87,636	159,849	82%
Deferred inflows of resources			
Pension deferrals		17,218	100%
Total deferred inflows of resources	-	17,218	100%
Net Position			
Net investment in capital assets	90,666	89,585	-1%
Restricted	26,823	22,936	-14%
Unrestricted	20,046	(58,266)	-391%
Total Net Position	$ 137,535	$ 54,255	-61%

Assets

- Cash and cash equivalents at June 30, 2015 consist of cash in the Santa Barbara County Treasury, $67 million, and cash in banks, $7.8 million. Of the $67 million in the County Treasury, $9.3 million is from Bond Measure V.

- Receivables consist mainly of receivables for state and federal grants, and student enrollment fees which the district has earned but not yet received as of the fiscal year end. At June 30, 2015, the District was waiting to collect $0.9 million in unrestricted state lottery funds, $3.9 million in state restricted funds, $3.0 million in student fees, $1.0 million in restricted federal funds and $0.6 million in local funds.

- Capital assets, net of depreciation, are the net historical values of land, buildings, construction-in-progress and equipment, less accumulated depreciation. The District added net capital assets of $8.1 million made up of renovation of $4.9 million of buildings, $2.5 million of construction in progress and $0.7 million of purchase of equipment. Depreciation expense of $5.4 million was recognized during 2014-15. Additional detail about capital assets can be found in the notes to the financial statements.

Liabilities

- Current liabilities consist of the portion of expenses that will be paid by the District in one year or less. Accounts payable and accrued expenses of $4.8 million consist of payables to vendors, $4.3 million of accrued payroll, $1.7 million of compensated absences and teacher load units, and bond interest payable of $1.2 million.

- Deferred revenue of $10.6 million relates to federal, state and local program funds received but not yet earned as of the end of the fiscal year. Most grant funds are earned when related costs are incurred.

- Non-current liabilities consist of the portion of $2.0 million of compensated absences and teacher load units that will be paid by the District in one year or later. In June 2008, the voters of the Santa Barbara Community College District approved bonds of $77 million of which $62 million has been issued. The total outstanding balance of the bond at June 30, 2015 was $57.6 million with $1.8 million due within one year and $55.8 million due in greater than one year.

- Net Pension Liability represents the district's share of the CalSTRS and CalPERS unfunded pension liability. The district is reporting this figure for the first time this year due to the implementation of GASB 68.

- The District borrowed $2.0 million from the California Energy Resources Conservation and Development Commission for the construction of a photovoltaic energy system, and $0.3 million from Southern California Edison and $0.8 million from California Energy Resources Conservation and Development Commission for the campus lighting retrofit project. The unpaid balance of these loans at June 30, 2015 was $2.3 million with $0.3 million due within one year and $2.0 million due in greater than one year.

- The District provides post-employment health care benefits to early retirees. The actuarially determined liability for Other Postemployment Benefits (OPEB) is $2.4 million. The District's policy is to pay healthcare premiums for retirees as they fall due.

- The District collects fees from students who enroll in classes. When a student withdraws from a course they may either request a refund or leave the credit on their account to apply to a future term's fees. All credit balances must be used within three years. The District claims balances over three years old as revenue. These credit balances are included on the Statement of Net Assets as Refundable Advances – Student Accounts. The balance of this liability as of June 30, 2015 was $1.2 million with $0.2 million claimable by the District within one year.

According to GASB Statements, equity is reported as Net Position, rather than Fund Balance. The District's Net Position is divided into three major categories. The first category, net investment in capital assets of $89.6 million provides the equity amount in property, plant and equipment owned by the District, net of outstanding debt obligations related to those capital assets. The second category is expendable restricted net position. The restricted net position of $22.9 million is available for expenditure by the District, but must be spent for purposes as determined by external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position of -$59.4 million. The unrestricted net position is negative due to the implementation of GASB 68.

Fund Balances

Fund balance is the difference between fund assets and fund liabilities in a governmental fund.

Fund Type	Ending Fund Balance 6/30/14	Ending Fund Balance 6/30/15	Change in Fund Balance
General Fund	30,619,817	32,962,594	2,342,777
Bond Funds	13,130,728	9,291,788	(3,838,940)
Capital Projects Fund	13,271,422	7,685,058	(5,586,364)
Enterprise Funds	6,231,326	6,460,492	229,166
Special Revenue Funds	656,441	474,535	(181,906)
Internal Service & Fiduciary Funds	3,461,376	3,518,524	57,148
Total	67,371,110	60,392,991	(6,978,119)

Total ending fund balances decreased $7.0 million (10.4%) from $67.4 million to $60.4 million, with the majority of changes due to spending in the Bond Construction Fund -$3.8 million and the Capital Projects Funds -$5.6 million offset by an increase in the General Fund of $2.3 million.

In accordance with Board Policy 6305, the District's board of directors has designated a portion of the Unrestricted General Fund balance as reserves. A reserve fund is an established prudent fiscal management tool, which buffers cash flow fluctuations and provides a resource for contingencies and reasonable yet unforeseen operational needs. The reserve includes 5% of annual projected unrestricted general fund expenditures, plus funds to cover all banked TLU obligations, plus funds equivalent to any deferrals of the college's state apportionment or 15% of annual projected unrestricted general fund expenditures, whichever is greater. The unrestricted general fund reserve is $20.5 million or approximately 21% of the annual projected unrestricted general fund expenditures.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the District, as well as the non-operating revenue and expenses. State general apportionment, while budgeted for operations, is considered non-operating revenue in accordance with the business-type activity reporting model adopted by the California Community Colleges.

Summarized Statement of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2014 and 2015

	(in thousands) 2014	2015	Change
Operating Revenues			
Net tuition and fees	$ 23,909	$ 27,580	15%
Grants and contracts, noncapital	52,204	52,633	1%
Auxiliary enterprise sales and charges	11,501	11,662	1%
Total operating revenues	87,614	91,875	5%
Total Operating Expenses	157,812	165,298	5%
Operating loss	(70,198)	(73,423)	5%
Nonoperating Revenues and Expenses			
State apportionments, noncapital	40,275	38,291	-5%
Local property taxes, general purpose	24,731	25,693	4%
Local property taxes, special purpose	3,714	3,898	5%
State taxes and other revenues	3,792	4,444	17%
Investment income	248	253	2%
Interest expense	(1,984)	(2,365)	19%
Abandonment of construction in progress	(228)	(307)	35%
Total nonoperating revenues and expenses	70,548	69,907	-1%
Income (loss) before capital revenues	350	(3,516)	-1105%
Other Revenues and Expenses			
State revenues, capital	368	1,760	100%
Local revenues, capital	854	447	100%
Total other revenues and expenses	1,222	2,207	100%
Increase (decrease) in net position	1,572	(1,309)	-183%
Net Position, beginning of year	131,508	137,535	5%
Cumulative effect from change in accounting principle	(483)		
Prior year restatement	4,938	(81,971)	
Net Position, beginning of year, restated	135,963	55,564	
Net Position, end of year	$ 137,535	$ 54,255	-61%

- Tuition and fees for 2014-15 are composed of enrollment fees of $9.3 million, out-of-state and international student tuition of $16.3 million and all other fees of $2.0 million. Tuition and fees are stated net of Board of Governor fee waivers of $9.3 million awarded to California resident students. Regular enrollment fees, set by the state for all community colleges, were $46 per unit. District enrollment has increased 2.3% from the prior year.

- Auxiliary enterprise sales consist of Bookstore, Food Service sales, and Center for Lifelong Learning enrollment fees.

- State apportionment, non-capital, is generated based on the workload measures (student attendance) reported to the State by the District. State apportionment decreased to $38.3 million due to a reduction of $0.7 million recalculation revenue from the recalculation revenue received in FY 2014-15, a $0.5 million prior year adjustment from FY 2013-2014 apportionment, and offset by an increase of 0.85% in COLA.

- The District received $25.7 million in local property taxes, including support for $3.9 million in special purpose local property taxes related to Measure V Bond which was approved by the voters in June 2008.

- Grants and contract revenues relate to student financial aid and specific federal and state grants received for programs serving students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs. Increases were primarily due to an increase in student financial aid.

- State taxes and other revenue consist primarily of $2.8 million in lottery revenue, $1.0 million for state mandated costs, $0.3 million for part-time faculty compensation, and $0.2 million for homeowners exemption tax.

Operating Expenses (by natural classification)
For the years ended June 30, 2014 and 2015

	(in thousands)		
Expenses	**2014**	**2015**	**Change**
Salaries	$ 70,725	$ 75,991	7%
Employee Benefits	17,814	17,740	0%
Supplies, materials, other operating expenses	62,677	64,578	3%
Utilities	1,546	1,610	4%
Depreciation	5,050	5,379	7%
Total operating expenses	$ 157,812	$ 165,298	5%

- Salaries expenses increased due to COLA adjustments and reclassifications of compensation based on salary studies performed by the District.

- Benefits expenses decreased due to COLA adjustments, and reclassifications of compensation based on salary studies performed by the District.

- Supplies, materials, and other operating expenses increased overall by 3%, physical property and related acquisitions is $9.5 million for current year and the decrease is $6.8 million over FY 2013-14.

- Utilities expenses increased by 4% primarily due to rate increases.

- Depreciation expense increased 7% due primarily to the capitalization of $6.2 million worth of new buildings.

- Prior Period Adjustments – In the fiscal year ended June 30, 2014 the district recorded a prior period adjustment to record the capitalization of bond interest. In the fiscal year ended June 30, 2015 the district implemented GASB 68, which necessitated the recording of an $83.5 million prior period adjustment to establish the net pension liability as of June 30, 2014.

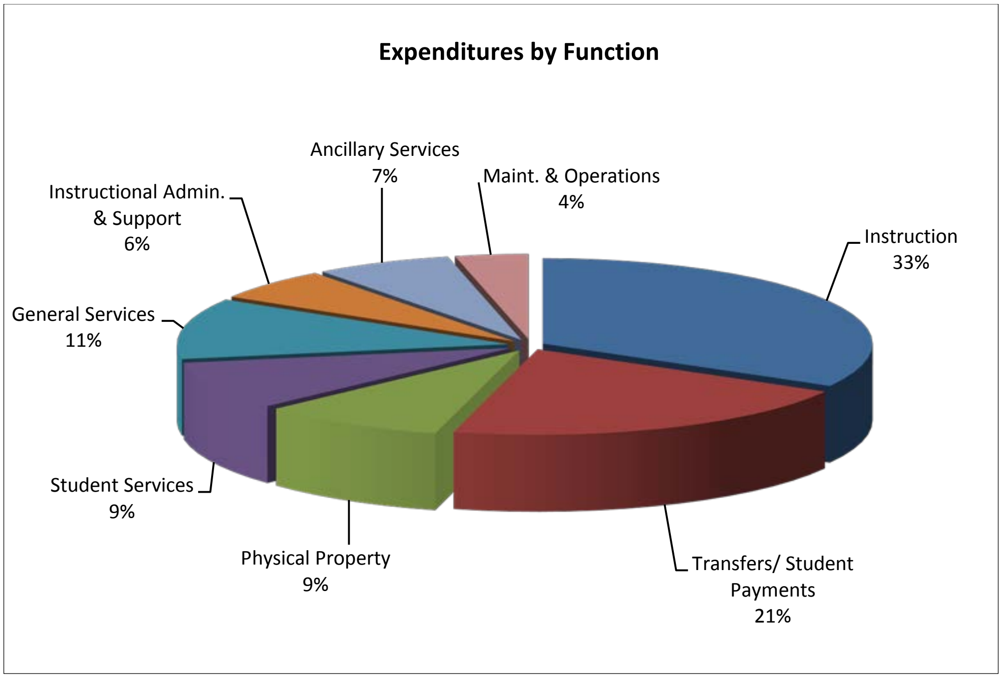


Chart Definitions

- Instruction: Consists of direct instructional expenses.
- Transfers/Student Payments: Primarily consists of financial aid payments to students.
- Physical Property: Non-capitalized construction and purchases of small equipment.
- Student Services: Includes admissions & records, counseling, and various categorical student service related expenses.
- General Services: Includes planning & policy making, general institutional services, and community services.
- Instructional Admin. & Support: Includes administrative expenses related to instruction, the library, and the learning resource center.
- Ancillary Services: Includes expenses related to the child development center, food service, parking, and co-curricular related expenses.
- Maintenance & Operations: Includes building maintenance, grounds maintenance, and custodial services.

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and payment during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

Summarized Statement of Cash Flows
For the years ended June 30, 2014 and 2015

	(in thousands)	
Cash provided by (used in)	**2014**	**2015**
Operating activities	$ (66,453)	$ (56,586)
Noncapital financing activities	68,801	68,437
Capital financing activities	(11,845)	(6,451)
Investing activities	167	211
Net decrease in cash	(9,330)	5,611
Cash, beginning of year	78,554	69,224
Cash, end of year	$ 69,224	$ 74,835

The primary operating receipts are student tuition/fees and federal, state, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While state apportionment and property taxes are the primary source for paying operating expenses, the business activity reporting model adopted by the California Community Colleges require that this source of revenue be shown as non-operating revenue as it comes from the general resources of the state and not from the primary users of the college's programs and services, its students. The District depends upon this funding as the primary source of funds to continue the current level of operations.

Cash provided by non-capital financing activities exceeded cash used in operating activities by $11.8 million. Capital financing expenditures exceed capital revenues by $6.5 million. Capital expenditures included $1.8 million for the Humanities Building modernization project, $0.3 million for Door and Electronic Lock Upgrades, $0.3 million for Fiscal Services Office Maintenance, $0.4 million for Repaving Asphalt across campus, $0.3 million for Business Communication Center Chiller Replacement, $1.0 million for LED/Light retrofitting project pursuant to Prop 39, $0.2 million for Schott Windows Abatement & Restoration, and $0.1 million to replace the Waterlines at Cliff Drive.

Factors That May Affect the Future

<u>Accreditation</u>

- The District is accredited every six years by the Accrediting Commission of Community and Junior Colleges ("ACCJC"), a branch of the Western Association of Schools and Colleges. Being an accredited college is of critical importance. This status allows the District to provide federal financial aid to students, receive federal funding, grant degrees to students as coming from an accredited institution and articulate courses with other colleges and universities. In January 2010 the ACCJC reaffirmed the District's accreditation status.

- The ACCJC completed its comprehensive evaluation of the District in October 2015. The District will receive the ACCJC's recommendation on reaffirmation status in January of 2016.

<u>State Economy</u>

- The economic position of the District is closely tied to that of the State of California. The District receives over half of its general unrestricted funding through state apportionments, local property taxes and student enrollment fees. These three sources comprise the District's general apportionment, the main funding support for California community colleges.

- In 2012-13, the community college system relied on voter approval of a November 2012 ballot initiative, Proposition 30, to fund essentially a stay-the-course budget for public education. Passage of the ballot initiative provided the community college system with $338.6 million or 7.3% in funding which equated to approximately 75,500 full-time equivalent students. Proposition 30 is temporary. The sales tax increase portion of the proposition terminates on December 31, 2016, which is approximately 20% of the Proposition 30 revenues. The remaining 80% of the Proposition 30 revenues comes from an income tax increase, which ends December 31, 2018.

- The Governor continues to budget state revenues conservatively. In 2014-15, state revenues came in higher than budgeted. The expectation by the Legislative Analyst Office is that 2015-16 actual revenues will be higher than budgeted also.

- The District also participates in the Public Employees Retirement System (CalPERS) and State Teachers Retirement System (CalSTRS). The District and the employee each pay a percentage of the employee's salary into one of these systems. The State of California has contributed to these systems as well. The rates that are paid are set by the CalPERS Board for CalPERS and by the State legislature for CalSTRS. Over the years, the employee rates for both systems have not changed, but the CalPERS Board has decreased or increased the employer rate as deemed necessary. At this time, both systems are underfunded in terms of their total liability.

Last year, the CalPERS Board projected (subject to change) and the State legislature set (in law) rates that are projected to near or exceed 20% by 2021. The increases are a significant cost obligation for schools and colleges. We anticipate these increases to cost the District at least $6.0 million annually by 2021.

Employer Rates	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
CalSTRS	10.73%	12.58%	14.43%	16.28%	18.13%	19.10%
CalPERS	11.85%	13.05%	16.60%	18.20%	19.90%	20.40%

District Budget

- When state revenue budget estimates for property tax and student enrollment fees are not achieved, the shortfall is apportioned among all community college districts as a deficit factor when state revenue is state applies a deficit factor to reduce allocated revenue. There was no deficit factor for the District in 2014-15. No deficit factor was included in the District's 2015-16 adopted budget.

- The enacted 2015-16 state budget provides funding for COLA of 1.02%.

- The 2014-15 budget included the addition of a second summer intersession. The District is continuing with two summer sessions in 2015-16.

- The District is receiving $20.4 Million in funding from the State to fund the modernization of the Campus Center building. The District has transferred $11.8 million in matching funds from the Unrestricted General Fund to fully fund the modernization of the Campus Center building.

- The District currently receives approximately $600,000 in lease revenue per year from Kaplan International. The District has elected to end the lease with Kaplan International as of June 30, 2017.

- The district has experienced a decrease in enrollment from Fall 2014 to Fall 2015. If the decrease persists throughout the 2015-16 fiscal year, the District will enter stability for the 2015-16 fiscal year with no decrease in revenue from 2014-15.

Santa Barbara Community College District

Statement of Net Position

June 30, 2015

	District	Foundation for Santa Barbara City College
Assets		
Current assets:		
Cash in county treasury	$ 66,998,944	$
Cash on hand and in banks	7,809,826	2,092,592
Investments	25,908	1,917,105
Accounts receivable:		
Federal	1,049,980	
State	3,874,462	
Miscellaneous	2,987,796	260,603
Allowance for doubtful accounts	(1,458,910)	
Prepaid expenses	21,812	27,460
Pledges receivable, current portion, net of allowance		2,374,026
Inventories	1,330,246	
Other assets		
Total current assets	82,640,064	6,671,786
Noncurrent assets:		
Pledges receivable, net of current portion and allowance		2,403,165
Long-term investments		35,222,729
Assets held in FCCC-Osher		889,940
Assets held in charitable remainder trusts		7,316,528
Assets of pooled income fund		113,827
Contributions receivable from remainder trusts		5,159,093
Capital assets, net of accumulated depreciation	141,709,723	161,589
Total noncurrent assets	141,709,723	51,266,871
Total assets	224,349,787	57,938,657
Deferred Outflows of Resources		
Pension deferrals	6,972,904	
Total deferred outflows of resources	6,972,904	-

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

Santa Barbara Community College District

Statement of Net Position

June 30, 2015

Page 2

	District	Foundation for Santa Barbara City College
Liabilities		
Current liabilities:		
Accounts payable	$ 4,811,709	$ 484,226
Accrued wages	1,747,509	
Accrued benefits	2,570,519	
Compensated absences and teacher load units	1,685,954	
Scholarships payable		1,119,719
Unearned revenues	10,648,937	
Interest payable, current portion	1,162,957	
General obligation bonds, current portion	1,825,000	
Loan payable, current portion	289,661	
Refundable advances - student accounts, current portion	238,923	
Amounts held for others	68,950	
Total current liabilities	25,050,119	1,603,945
Noncurrent liabilities:		
Compensated absences and teacher load units, net of current portion	2,005,394	
Net pension liability	70,056,149	
Net OPEB obligation	2,388,509	
Loan payable, net of current portion	1,978,224	
General obligation bonds, net of current portion	55,775,000	
Bond premium, net of amortization	1,626,075	
Liability under unitrust agreements		2,518,326
Discount for future interest pooled income funds		42,214
Refundable advances - student accounts, net of current portion	969,806	
Refundable advances - revocable split interest agreements		11,486
Total noncurrent liabilities	134,799,157	2,572,026
Total liabilities	159,849,276	4,175,971
Deferred Inflows of Resources		
Pension deferrals	17,217,991	
Total deferred inflows of resources	17,217,991	-

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

Santa Barbara Community College District

Statement of Net Position

June 30, 2015

Page 3

	District	Foundation for Santa Barbara City College
Net Position		
Net investment in capital assets	$ 89,585,695	$
Temporarily restricted		19,780,024
Permanently restricted		32,891,239
Restricted for:		
Expendable:		
Scholarships and loans	337,858	
Capital projects	3,233,012	
Debt service	5,480,334	
Other special purposes	13,884,915	
Total restricted net position	22,936,119	
Unrestricted	(58,266,390)	1,091,423
Total net position	$ 54,255,424	$ 53,762,686

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

Santa Barbara Community College District

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015

	District	Foundation for Santa Barbara City College
Operating revenues:		
Tuition and fees	$ 36,889,312	$
Less: Scholarship discount and allowances	(9,309,401)	
Net tuition and fees	27,579,911	
Grants and contracts, noncapital:		
Federal	34,193,652	
State	11,128,859	
Local	7,310,327	
Contributions and bequests		5,986,633
Interest and dividends, net of fees		1,369,640
Gains and losses on investments		(692,069)
Other income		265,449
Change in value of split interest agreements		130,217
Auxiliary enterprise sales and charges	11,661,705	
Total operating revenues	91,874,454	7,059,870
Operating expenses:		
Salaries	75,991,337	
Employee benefits	17,740,322	
Supplies, materials, and other operating expenses and services	64,577,212	
Utilities	1,610,109	
Depreciation	5,379,389	
College programs and other designated disbursements		2,979,095
Scholarships and awards		1,155,277
Fundraising expense		586,017
Administrative expense		1,009,435
Total operating expenses	165,298,369	5,729,824
Operating income (loss)	(73,423,915)	1,330,046
Nonoperating revenues and expenses:		
State apportionments, noncapital	38,290,829	
Local property taxes	29,592,865	
State taxes and other revenues	4,444,191	
Investment income, noncapital	210,911	
Investment income, capital	42,193	
Interest expense, capital asset-related debt	(2,365,440)	
Abandonment of construction in progress	(307,164)	
Total nonoperating revenues and expenses	69,908,385	
Income (loss) before other revenues and expenses	(3,515,530)	1,330,046

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

Santa Barbara Community College District

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015

Page 2

	District	Foundation for Santa Barbara City College
Other revenues and expenses:		
State revenues	$ 1,759,833	$
Local revenues, capital	447,043	
Total other revenues and expenses	2,206,876	
Increase (decrease) in net position	(1,308,654)	1,330,046
Net position - beginning of year	137,534,751	52,432,640
Prior year restatement	(81,970,673)	
Net Position - beginning of year, restated	55,564,078	52,432,640
Net position - end of year	$ 54,255,424	$ 53,762,686

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

Santa Barbara Community College District

Statement of Cash Flows

Year Ended June 30, 2015

	District
Cash flows from operating activities:	
Tuition and fees	$ 29,614,569
Federal grants and contracts	34,356,134
State grants and contracts	19,564,823
Local grants and contracts	7,787,212
Payments to employees for salaries	(74,886,894)
Payment for employee benefits	(19,066,951)
Payments to suppliers/utilities	(65,616,366)
Auxiliary enterprise sales and charges	11,661,705
Net cash used in operating activities	(56,585,768)
Cash flows from noncapital financing activities:	
State apportionment	38,290,829
Local property taxes	25,695,099
State taxes and other revenues	4,444,191
Student organization agency activity	7,217
Net cash provided by noncapital financing activities	68,437,336
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	1,759,833
Local property taxes	3,897,766
Principal repayments of debt	(1,740,000)
Debt interest and redemption	(2,625,129)
Capital grants and gifts received	447,043
Nonoperating expense	(75,867)
Purchases of capital assets	(8,114,952)
Net cash used in capital financing activities	(6,451,306)
Cash flows from investing activities:	
Investment income	210,911
Net cash provided by investing activity	210,911
Net increase in cash	5,611,173
Cash - beginning of year	69,223,505
Cash - end of year	$ 74,834,678

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

Santa Barbara Community College District

Statement of Cash Flows

Year Ended June 30, 2015

Page 2

	District
Reconciliation of net operating loss to net cash used in operating activities:	
Operating loss	$ (73,423,915)
Adjustments to reconcile operating loss to net cash	
used in operating activities:	
Depreciation	5,379,389
Changes in operating assets, deferred outflows of resources,	
liabilities and deferred inflows of resources:	
Accounts receivable, net	8,955,824
Prepaid expense	(11,634)
Inventories	(82,981)
Accounts payable	312,439
Accrued wages	898,450
Accrued benefits	28,385
Compensated absences and teacher load units	177,608
Unearned revenues	2,393,303
Net OPEB obligation	342,808
Contribution to pension plan	(5,858,716)
Net pension liability	(13,412,915)
Pension deferrals	17,602,194
Refundable advances	113,993
Net cash used in operating activities	$ (56,585,768)

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

Santa Barbara Community College District
Notes to Financial Statements
June 30, 2015

Note 1: The Reporting Entity

Santa Barbara Community College District (District) provides higher education in the County of Santa Barbara (County), in the State of California (State). The District consists of one community college and two community college centers located in Santa Barbara, California.

For financial reporting purposes, the District includes all funds, which comprise the primary government and all component units in accordance with GASB Statement No. 14, amended by GASB Statement No. 39 and 61. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. One of the basic criteria for including a potential component unit is whether the nature and significance of the relationship between the reporting entity and the component unit are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District has identified the Foundation for Santa Barbara City College as a discretely presented component unit for inclusion in the District's financial statements.

The Foundation for Santa Barbara City College (Foundation) is a legally separate, tax-exempt component unit of Santa Barbara Community College District. The Foundation provides financial support for various college-related programs including student scholarships and awards, general department and program support, equipment purchases and capital improvements, and faculty research and teaching activities. The Board of the Foundation is self-perpetuating and numbers no less than twenty-one but no more than forty-five directors. At least five of the members of the Board are either trustees or members of the staff of the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the resources or income thereon that the Foundation holds and invests is restricted to the activities of the District by the donors.

During the year ended June 30, 2015, the Foundation distributed $2,979,095 to the District for restricted purposes and distributed $1,155,277 to students for scholarships and awards. Complete financial statements for the Foundation can be obtained from the Foundation's office at 721 Cliff Drive, Santa Barbara, CA 93109-2394.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Measurement Focus and Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District's basic financial statements provide a comprehensive look at its financial

Note 2: Summary of Significant Accounting Policies (Continued)

activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the years for which they are levied. Grants are recognized as revenue when all eligibility requirements imposed by the grantor have been met. All intrafund transactions have been eliminated.

Budgets and Budgetary Accounting

By State law, the District's Governing Board must adopt and approve a tentative budget no later than July 1st, and adopt and approve a final budget no later than September 15th. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied this requirement.

These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures.

Accounts Receivable

Accounts receivable consist of amounts due from Federal, State and local governments, or private sources, in connection with reimbursement of allowable expenses based on a contract or agreement between the District and the funding source. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students' faculty and staff and the majority or each residing in the State of California. When receivables are determined to be uncollectible, a direct write-off is recorded.

Inventories

Inventories, primarily bookstore merchandise, are carried at the lower of cost or market using the first-in, first-out (FIFO) method. The cost is recognized as expense as inventories are consumed.

Prepaid Expense

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the basic financial statements.

Note 2: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of $5,000 or more (for equipment) and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expenses are incurred. Depreciation of equipment and vehicles, facilities and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Expenditures for construction in progress are capitalized when incurred. The cost of capital assets includes interest incurred during construction. Interest available to be capitalized is calculated as total interest expense on the indebtedness over the capitalization period offset by the interest revenue earned on the reinvested debt proceeds.

The following estimated useful lives are used to compute depreciation:

Buildings and improvements	50 years
Portable buildings and building equipment	15 years
Land improvements	10 years
Equipment and vehicles	8 years
Technology equipment	3 years

Unearned Revenues

Unearned revenues include revenues that were collected by the District as of June 30, 2015, but have not yet been earned including Federal and State financial assistance and enrollment fees.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan and the California State Teachers' Retirement System (CalSTRS) plan (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2: Summary of Significant Accounting Policies (Continued)

Noncurrent Liabilities

Noncurrent liabilities include amounts on compensated absences and teacher load units, net OPEB obligation, loan payable, general obligation bonds payable with maturities greater than one year, bond premiums, net of amortization, and refundable advances on student accounts.

Refundable advances consist of amounts over paid by students due to dropped classes or other changes in enrollment. Students have three years to either request a refund, or apply the balance to current charges. Any balances older than three years are claimed as local revenue by the district.

Amounts Held for Others

Amounts held for others represent funds held by the District for student clubs.

Net Position

The District's net position is classified as follows:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted - Nonexpendable: Net position subject to externally imposed stipulations that they be maintained permanently by the District.

Restricted - Expendable: Net Position whose use by the District is subject to externally imposed restrictions or that expire by the passing of time.

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward the restricted resources, and then towards the unrestricted resources.

The board has designated a portion of the unrestricted general fund balance as reserves as follows: 5% of annual projected unrestricted general fund expenditures, plus funds to cover all banked TLU obligations, plus funds equivalent to any deferrals of the college's state apportionment or 15% of annual projected unrestricted general fund

Note 2: Summary of Significant Accounting Policies (Continued)

expenditures, whichever is greater. The total reserve equates to approximately 21% of the annual projected unrestricted general fund expenditures.

Operating and Nonoperating Transactions

The District has classified its revenues and expenses as either operating or nonoperating. Revenues and expenses are classified according to the following criteria:

Operating: These revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, most Federal, State and local grants and contracts and federal appropriations. Operating expenses include salaries, employee benefits, supplies, materials, services, utilities and depreciation.

Nonoperating: These revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources such as State appropriations and investment income. Nonoperating expenses include interest on capital asset-related debt.

Tuition and Fees

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances represent the difference between the tuition and fees charged by the District and the amount that is waived by the Board of Governor's Waiver (BOGW) on the student's behalf.

Accrued Vacation, Compensated Absences, Teacher Load Units and Sick Leave Pay

Accumulated unpaid benefits for vacation and compensated absences are recognized as liabilities of the District. The accumulated benefits will be liquidated in future years as employees elect to use them. In the normal course of business, all payments of these accumulated benefits will be funded from appropriations of the year in which they are to be paid. Teacher load units accumulate according to the terms of the teacher's contract and will be liquidated in future years as employees elect to use them. Accumulated teacher load units may be used to augment a teaching load up to the standard requirement or to augment sabbatical leave so that an instructor may receive full pay while on sabbatical. Accumulated teacher load units may be paid out in cash upon termination of employment. Accumulated employee sick leave benefits are not recognized as liabilities of the District as the rights to these benefits do not vest. Benefits are recorded as expenditures in the period that sick leaves are taken.

Note 2: Summary of Significant Accounting Policies (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this Statement were effective for periods beginning after December 15, 2013.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non-exchange financial guarantees. The provisions of this Statement were effective for periods beginning after June 15, 2013.

Management implemented GASB Statements No. 69 and 70 for the District's June 30, 2015 financial statements. Implementation of these statements did not have a material impact on the District's financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of Statement No. 27*, that addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. The provisions of Statement No. 68 are effective for fiscal years beginning after June 15, 2014.

In November 2013, GASB issued Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date –an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer on non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of Statement No. 71 are required to be applied simultaneously with the provisions of Statement No. 68.

Note 2: Summary of Significant Accounting Policies (Continued)

Management implemented GASB Statements No. 68 and 71 for the District's June 30, 2015 financial statements. Implementation of these statements resulted in a restatement of beginning net position as of July 1, 2015. See Note 11 and Note 15 to Financial Statements for further discussion.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of Statement No. 72 are effective for fiscal years beginning after June 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. The provisions of Statement No. 73 are effective for fiscal years beginning after June 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting standards for state and local governmental OPEB plans—defined benefit OPEB plans and defined contribution OPEB plans—that are administered through trusts or equivalent arrangements. The provisions of Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

Additionally, in June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension*s. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles. The "GAAP hierarchy"

Note 2: Summary of Significant Accounting Policies (Continued)

consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

Note 3: Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits with banks, deposits in external investment pools, and short-term investments with an original maturity of three months or less from the date of acquisition.

At June 30, 2015, District cash consisted of the following:

Deposits:	
Cash on hand and in banks	$ 7,809,826

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk in addition to the California Government Code collateral requirements. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation. All deposits held by financial institutions are fully insured or collateralized with securities, held by the pledging financial institutions' trust departments in the District's name.

Note 3: Cash and Investments (Continued)

At June 30, 2015, District investments consisted of the following:

Pooled Investment Funds:		
Cash in County Treasury	$	66,998,944
Local Agency Investment Fund (LAIF)	$	25,908

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.

Local Agency Investment Fund (LAIF)

The District maintained investments with the State of California Local Agency Investment Fund (LAIF). The LAIF is an external investment pool sponsored by the State of California. These pooled funds approximate fair value. The administration of the LAIF is provided by the California State Treasurer and regulatory oversight is provided by the Pooled Money Investment Board and the Local Investment Advisory Board. State statutes, bond resolutions, and LAIF investment policy resolutions allow investments in United States government securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, mortgage loans and notes, other debt securities, repurchase agreements, reverse repurchase agreements, equity securities, real estate, mutual funds and other investments. The LAIF's report discloses the required information in accordance with GASB Statements No. 3 and 40. Pooled investments are not required to be categorized by risk category.

Note 3: Cash and Investments (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. Santa Barbara County Treasury pooled investment fund and the LAIF are unrated.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. At June 30, 2015, the District's cash in the Santa Barbara County Treasury represented 89.5% of total cash and investments.

Note 4: Foundation Cash and Investments

At June 30, 2015, Foundation cash and investments were presented at their aggregate fair value based on quoted market values, except real estate which is based on donated value less depreciation, and consisted of the following:

Cash and cash equivalents	$ 2,092,592
Marketable funds	36,537,519
Alternative investments	602,315
Total	$ 39,232,426

Note 5: Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2015, is shown below:

	Balance June 30, 2014	Additions	Reductions	Transfers	Balance June 30, 2015
Capital assets not being depreciated:					
Construction in progress	$ 3,492,379	$ 2,465,741	$ (304,952)	$ (1,329,779)	$ 4,323,389
Land	5,336,616				5,336,616
Totals	8,828,995	2,465,741	(304,952)	(1,329,779)	9,660,005
Capital assets being depreciated:					
Buildings	176,808,938	4,904,207	(890,823)	1,329,779	182,152,101
Leasehold improvements	657,403				657,403
Equipment	11,581,429	745,505	(143,870)		12,183,064
Totals	189,047,770	5,649,712	(1,034,693)	1,329,779	194,992,568
Less accumulated depreciation for:					
Buildings	48,195,135	4,818,899	(890,823)		52,123,211
Leasehold improvements	410,875	32,870			443,745
Equipment	9,989,431	527,620	(141,157)		10,375,894
Totals	58,595,441	5,379,389	(1,031,980)		62,942,850
Total capital assets being depreciated, net	130,452,329	270,323	(2,713)	1,329,779	132,049,718
Capital assets, net	$ 139,281,324	$ 2,736,064	$ (307,665)	$ -	$ 141,709,723

Total interest expense was $3,158,415 for the year ended June 30, 2015 and the total amount thereof that was capitalized was $792,975.

Note 6: Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2015, is shown below:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Compensated absences	$ 2,198,761	$ 28,104	$	$ 2,226,865	$ 1,513,957
Teacher load units	1,314,979	149,504		1,464,483	171,997
Net pension liability	83,469,064		13,412,915	70,056,149	
Net OPEB obligation	2,045,701	342,808		2,388,509	
Loan payable	2,551,556		283,671	2,267,885	289,661
General obligation bonds	59,340,000		1,740,000	57,600,000	1,825,000
Bond premium, net of amortization	1,701,942		75,867	1,626,075	
Refundable advances - student accounts	1,904,736		696,007	1,208,729	238,923
Long-term liabilities	$ 154,526,739	$ 520,416	$ 16,208,460	$ 138,838,695	$ 4,039,538

Note 7: Net Other Postemployment Benefits (OPEB) Obligation

Plan Description

The District provides post-employment health care benefits under a retirement incentive plan, the Early Retiree Health Benefit Plan (the Plan). The Plan is a single-employer defined benefit plan and is administered by the District. The Plan does not issue a stand-alone financial report. Under terms of the current agreement, the Plan is available to all regular salaried academic and classified employees age 55 or older who work 15 years. Retirees receive benefits until age 65. After age 65, retirees may continue insurance coverage through the District on a self-pay basis.

Funding Policy

The contribution requirements of the District are established by the District and the District's bargaining units. For the fiscal year ended June 30, 2015, the District contributed $133,937, all of which was used for current premiums. Contributions ranged from $416 to $576 per month for 27 retirees. The maximum contribution per year is $5,755 for an individual participant.

As required by GASB 45, A*ccounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* an actuary will determine the District's Annual Required Contributions (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost of one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years.

Note 7: Net Other Postemployment Benefits (OPEB) Obligation (Continued)

GASB Statement No. 45 does not require pre-funding of OPEB benefits, therefore, the District's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The District has elected not to establish an irrevocable trust at this time.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows components of the District's annual OPEB cost for the fiscal year ended June 30, 2015, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 485,852
Interest on net OPEB obligation	92,057
Adjustment to annual required contribution	(101,164)
Annual OPEB cost	476,745
Contributions made	(133,937)
Increase in net OPEB obligation	342,808
Net OPEB obligation - beginning of year	2,045,701
Net OPEB obligation - end of year	$ 2,388,509

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	$ 609,972	$ 220,707	36.2%	$ 1,721,598
6/30/14	$ 478,187	$ 154,084	32.2%	$ 2,045,701
6/30/15	$ 476,745	$ 133,937	28.1%	$ 2,388,509

Note 7: Net Other Postemployment Benefits (OPEB) Obligation (Continued)

Funded Status and Funding Progress

The funded status of the Plan as of September 1, 2014, the most recent valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/1/14	$ -	$ 3,891,111	$ 3,891,111	0.0%	$ 45,718,051	8.5%

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the Annual Required Contributions of the District are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the actuarial valuation as of September 1, 2014, the entry age normal actuarial cost method was used. The actuarial assumption included a 4.5% investment rate of return, based on long-term return on Plan assets, and the cost trend rate for health care of 4%. These assumptions reflect an implicit 2.75% general inflation assumption. The UAAL is being amortized at a level dollar method over 25 years.

Note 8: General Obligation Bonds Payable

On December 11, 2008, the District issued the Measure V general obligation bonds in the amount of $47,000,000 with interest rates ranging from 3.5 to 5.75%. Principal and interest payments are due each February 1 and August 1 through August 1, 2033. At June 30, 2015, the bond payable principal balance outstanding was $43,895,000. Included in the statement of net position, is the 2008 bonds unamortized premium which is being amortized and charged to expense over the term of the 2008 bonds. At June 30, 2015, the unamortized premium was $453,243.

Note 8: General Obligation Bonds Payable (Continued)

At June 30, 2015, future minimum payments were as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 565,000	$ 2,272,906	$ 2,837,906
2017	735,000	2,240,688	2,975,688
2018	925,000	2,195,038	3,120,038
2019	1,080,000	2,138,550	3,218,550
2020	1,240,000	2,071,850	3,311,850
2021-2025	9,340,000	9,112,750	18,452,750
2026-2030	14,760,000	6,043,788	20,803,788
2031-2034	15,250,000	1,654,013	16,904,013
Totals	$ 43,895,000	$ 27,729,583	$ 71,624,583

On March 2, 2013, the District issued the Measure V general obligation bonds in the amount of $15,000,000 with interest rates ranging from 1.25 to 5.00%. Principal and interest payments are due each February 1 and August 1 through August 1, 2038. At June 30, 2015, the bond payable principal balance outstanding was $13,705,000. Included in the statement of net position, is the 2013 bonds unamortized premium which is being amortized and charged to expense over the term of the 2013 bonds. At June 30, 2015, the unamortized premium was $1,172,832.

At June 30, 2015, future minimum payments were as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 1,260,000	$ 489,975	$ 1,749,975
2017	495,000	473,663	968,663
2018	380,000	467,575	847,575
2019	380,000	462,350	842,350
2020	380,000	451,900	831,900
2021-2025	2,145,000	2,014,000	4,159,000
2026-2030	2,590,000	1,561,925	4,151,925
2031-2035	3,095,000	1,057,425	4,152,425
2036-2039	2,980,000	307,250	3,287,250
Totals	$ 13,705,000	$ 7,286,063	$ 20,991,063

Note 9: Loan Payable

On June 21, 2007, the District signed a Promissory Note and Loan Agreement for $1,950,000 with the State of California, Energy Resources Conservation and Development Commission ("Commission") in order to finance energy efficiency projects. The principal and interest at 3.95% per annum on the unpaid principal is due and payable in semiannual installments beginning on December 22, 2012. Loan funds are disbursed to the District on a reimbursement basis based on invoices submitted by the District which totaled $1,950,000. At June 30, 2015, the outstanding principal balance on the loan payable was $1,439,201.

At June 30, 2015, future minimum payments were as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 136,178	$ 55,669	$ 191,847
2017	141,758	50,088	191,846
2018	147,413	44,434	191,847
2019	153,293	38,553	191,846
2020	159,323	32,523	191,846
2021-2024	701,236	63,603	764,839
Totals	$ 1,439,201	$ 284,870	$ 1,724,071

In February 2013, the District signed a Promissory Note and Loan Agreement for $750,000 with the Commission in order to finance energy efficiency projects. The District received the loan disbursement in October 2013. The principal and interest at 1.00% per annum on the unpaid principal is due and payable in semiannual installments beginning on December 22, 2013. At June 30, 2015, the outstanding principal balance on the loan payable was $577,247.

At June 30, 2015, future minimum payments were as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 86,433	$ 5,507	$ 91,940
2017	87,183	4,757	91,940
2018	88,123	3,817	91,940
2019	89,006	2,934	91,940
2020	89,893	2,046	91,939
2021-2022	136,609	1,370	137,979
Totals	$ 577,247	$ 20,431	$ 597,678

Note 9: Loan Payable (Continued)

In December 2013, the District signed a Promissory Note and Loan Agreement for $333,114 with Southern California Edison in order to finance energy efficiency projects. The District received the loan disbursement in March 2014. Payments on the unpaid principal are due and payable in monthly installments beginning on April 29, 2014. There is no interest charged on this loan. At June 30, 2015, the outstanding principal balance on the loan payable was $251,437.

At June 30, 2015, future minimum payments were as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 67,050	$	$ 67,050
2017	67,050		67,050
2018	67,050		67,050
2019	50,287		50,287
Totals	$ 251,437	$ -	$ 251,437

Note 10: Operating Leases

The District has entered into leases for equipment and facilities with lease terms in excess of one year. At June 30, 2015, future minimum lease payments under these agreements were as follows:

Year Ending June 30,	Lease Payments
2016	$ 333,434
2017	330,880
2018	315,526
2019	280,656
2020	235,231
Total	$ 1,495,727

Total rent expense of $321,245 is included in other operating expenses and services for the year ended June 30, 2015.

Note 11: Pension Plans

Qualified employees of the District are covered under multiple-employer cost-sharing defined benefit pension plans maintained by agencies of the State of California. In general, academic employees are members of the California State Teachers' Retirement System, and classified employees are members of the California Public Employees' Retirement System.

Note 11: Pension Plans (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Description: The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814, or from their web site.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits or if hired on or after January 1, 2013 at age 52. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

	CalPERS	
Hire date	**On or before December 31, 2012**	**On or after January 1, 2013**
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.1 % to 2.5%	1% to 2.5%
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	11.771%	11.771%

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Note 11: Pension Plans (Continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description: The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS, 7667 Folsom Boulevard, Sacramento, California 95826, or from their web site.

Benefits Provided: CalSTRS provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. Members with five years of total service are eligible to retire at age 50 or if hired on or after January 1, 2013 at age 55 with statutorily reduced benefits.

The CalSTRS plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

	CalSTRS	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	55 - 65
Monthly benefits, as a % of eligible compensation	2% to 2.4%	2% to 2.4%
Required employee contribution rates	8.15%	8.15%
Required employer contribution rates	8.88%	8.88%

Contributions: CalSTRS contribution rates for employees, employers and the State of California are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. The contribution rates were set as part of AB 1469, effective July 1, 2014.

Note 11: Pension Plans (Continued)

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	CalPERS	CalSTRS
Contributions - employer	$ 2,509,530	$ 3,349,186
Contributions - employee (paid by employer)	$ -	$ -

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalPERS	$ 23,306,549
CalSTRS	46,749,600
Total net pension liability	$ 70,056,149

The District's net pension liability for each Plan is measured using the District's proportionate share of each of the Plan's total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	CalPERS	CalSTRS
Proportion - June 30, 2013	0.1956%	0.0800%
Proportion - June 30, 2014	0.2053%	0.0800%
Change - increase (decrease)	-0.0097%	0.0000%

Note 11: Pension Plans (Continued)

For the year ended June 30, 2015, the District recognized pension expense of $4,189,279. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,509,530	$
Net differences between projected and actual earnings on plan investments		8,008,391
Adjustment due to differences in proportions	1,114,188	
Total	$ 3,623,718	$ 8,008,391

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,349,186	$
Net differences between projected and actual earnings on plan investments		9,209,600
Total	$ 3,349,186	$ 9,209,600

Pension contributions subsequent to the measurement date of $5,858,716 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	CalPERS	CalSTRS
2016	$ (1,617,895)	$ (2,302,400)
2017	(1,617,895)	(2,302,400)
2018	(1,656,316)	(2,302,400)
2019	(2,002,097)	(2,302,400)
Total	$ (6,894,203)	$ (9,209,600)

Note 11: Pension Plans (Continued)

Actuarial Assumptions: The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	CalPERS	CalSTRS
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.50%	7.60%
Inflation	2.75%	3.00%
Payroll Growth	Varies by Entry Age and Service	3.75%
Projected Salary Increase	2.00% to 2.75% (1)	2% simple
Investment Rate of Return	7.50% (2)	7.60% (4)
Mortality	(3)	(5)

(1) Contract COLA up to 2% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.
(2) Net of pension plan investment and administrative expenses, including inflation.
(3) Derived using CalPERS' Membership Data for all Funds based upon the results of a January 2014 actuarial experience study for the period 1997 to 2011.
(4) Net of pension plan investment expenses.
(5) Derived using CalSTRS mortality tables to best fit the patterns among its members and based upon RP2000 series tables adjusted to fit CalSTRS experience.

Discount Rate – CalPERS: The discount rate used to measure the total pension liability was 7.50% for the CalPERS plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would mostly likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

Note 11: Pension Plans (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

	CalPERS		
Asset Class	**New Strategic Allocation**	**Real Return Years 1 - 10** (a)	**Real Return Years 11+** (b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Note 11: Pension Plans (Continued)

Discount Rate – CalSTRS: The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentages for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the table below:

	CalSTRS	
Asset Class	**New Strategic Allocation**	**Long-term** (a) **Expected Real Rate of Return**
Global Equity	47.0%	4.50%
Private Equity	12.0%	6.20%
Real Estate	15.0%	4.35%
Inflation Sensitive	5.0%	3.20%
Fixed Income	20.0%	0.20%
Cash/liquidity	1.0%	0.00%
Total	100%	

(a) 10-year geometric average

Note 11: Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	CalPERS	CalSTRS
1% Decrease	6.50%	6.60%
Net Pension Liability	$ 40,885,007	$ 72,870,400
Current Discount Rate	7.50%	7.60%
Net Pension Liability	$ 23,306,549	$ 46,749,600
1% Increase	8.50%	8.60%
Net Pension Liability	$ 8,617,975	$ 24,969,600

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and CalSTRS financial reports.

Payable to the Pension Plan

At June 30, 2015, the District had no outstanding payable for contributions to the pension plan for the year ended June 30, 2015.

Note 12: Joint Ventures (Joint Powers Agreements)

The District participates in a joint powers agreement (JPA) with the Alliance of Schools for Cooperative Insurance Programs (ASCIP). ASCIP was established to provide services necessary and appropriate for the development, operation and maintenance of a self-insurance system for primary general and automobile liability coverage protection for claims against the public educational agencies in California who make up the ASCIP membership.

The general and automobile liability coverage provides up to $5,000,000 in limits less the District's self-insured retention (SIR) of $25,000 per occurrence. Each member district is entitled to cast one vote to elect governing board representative(s) to represent the member district on ASCIP's governing board. The governing board is responsible for establishing premium rates and making budget and operational decisions for ASCIP independent of any influence by the District beyond their board member representation. Each member district shares surpluses and deficits proportionate to their participation in ASCIP.

Note 12: Joint Ventures (Joint Powers Agreements) (Continued)

For the fiscal year ended June 30, 2014 (the most recent data available), the JPA had revenues of $205,391,206, expenses of $196,801,424, nonoperating investment income of $3,061,713, and ending net position totaling $146,396,253. The relationship between the District and ASCIP is such that ASCIP is not a component unit of the District for financial reporting purposes under the criteria of GASB Statement No. 14, amended by GASB Statements No. 39 and 61.

Southern California Community College Districts Joint Powers Authority (SCCCD)

The District participates in an additional banking JPA for workers' compensation self-insurance coverage through the Southern California Community College Districts Joint Powers Authority (SCCCD). SCCCD provides workers' compensation coverage and a reserve to be used toward funding long-term retiree health insurance liabilities for its six member districts. Payments transferred to funds maintained under the JPA are expensed when made. Based upon an actuarial study, District administrators are of the opinion that the procedures for accumulating and maintaining reserves are sufficient to cover future contingencies under potential workers' compensation claims; however, the reserve for retiree health insurance is not yet sufficient to cover future potential payments. An actuarial study dated May 2014 estimated the present value of future post-retirement medical benefits. The District's share of the JPA retained earnings balance at June 30, 2014 (the most recent data available) was $797,190 and $268,508 for the workers' compensation insurance fund and the retiree health insurance fund, respectively.

The JPA participates in the Protected Insurance Programs for Schools (PIPS), a pooled risk JPA. The purpose of the program is to provide workers' compensation insurance coverage at competitive group rates.

The relationship between the District and the SCCCD is such that the SCCCD is not a component unit of the District for financial reporting purposes under the criteria of GASB Statement No. 14, amended by GASB Statements No. 39 and 61.

Schools Excess Liability Fund (SELF)

The District participates in a joint venture under a JPA with the Schools Excess Liability Fund (SELF). SELF was established to provide excess general and automobile liability coverage. The excess liability limits are designed to follow the primary liability limits provided by ASCIP. Coverage under the current program provides for the payment of covered claims incurred by the District up to $20,000,000 per occurrence. The District absorbs the first $5,000,000 of liability (which is comprised of the District's SIR, ASCIP and SELF limits). Each member district is assessed a premium in accordance with the joint powers agreement.

Note 12: Joint Ventures (Joint Powers Agreements) (Continued)

The relationship between the District and SELF is such that the SELF is not a component unit of the District for financial reporting purposes under the criteria of GASB Statement No. 14, amended by GASB Statements No. 39 and 61.

Note 13: Self-Insurance Fund

The District has self-insurance for losses due to employment practices, environmental pollution and property losses due to earthquake, land subsidence, or flood. Payments are funded by the District. The District believes any claims incurred but not reported as of June 30, 2015, would not be material to the District's financial statements and no liability has been recorded for potential claims.

Note 14: Commitments and Contingencies

Categorical Awards and Allowances

The District has received Federal and State funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Construction Contracts

The District has commitments of $2,439,170 under various construction contracts, some of which are in the process of being completed.

Litigation

From time to time, in the normal course of operations the District may become involved in litigation for which the District is self-insured. Management does not believe this will result in a material impact to the financial statements.

Note 15: Restatement of Beginning Net Position

The District implemented GASB Statement No. 68, *Financial Reporting for Pensions—an amendment of Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* for the year ended June 30, 2015. The District has chosen to present prior year data, but not restate the data for the prior year because all of the information available to restate prior year amounts was not readily available. An adjustment of $81,970,673 to beginning net position has been made to reflect the cumulative impact of implementing these standards.

Note 16: Operating Expenses by Functional Classifications

The District's operating expenses by functional classifications for the year ended June 30, 2015, are as follows:

	Salaries and Benefits	Supplies, Materials and Other Operating Expenses and Services	Utilities	Depreciation	Total
Instruction	$ 52,700,351	$ 2,277,037	$	$	$ 54,977,388
Instructional administration	5,920,196	1,395,115			7,315,311
Instructional support services	2,134,367	469,479			2,603,846
Admissions and records	900,973	37,787			938,760
Counseling and guidance	5,368,715	371,129			5,739,844
Other student services	5,941,767	3,410,168			9,351,935
Operations and maintenance	3,686,588	607,350	1,610,109		5,904,047
Planning and policy making	1,182,740	308,401			1,491,141
General institutional services	9,449,496	4,975,465			14,424,961
Community services	1,738,607	451,678			2,190,285
Ancillary services	4,668,568	5,505,306			10,173,874
Auxiliary operations		887,419			887,419
Physical property and related acquisitions	39,291	9,480,627			9,519,918
Transfers and student payments		34,400,251			34,400,251
Depreciation				5,379,389	5,379,389
Totals	$ 93,731,659	$ 64,577,212	$ 1,610,109	$ 5,379,389	$ 165,298,369

Note 17: Subsequent Event

Events subsequent to year end have been evaluated through November 23, 2015, which is the date the financial statements were available to be issued.

On November 12, 2015, the Board of Trustees approved bids and awarded contracts for the West Campus Classroom and Office Building project. The total amount of contracts awarded totaled approximately $11,100,000.

Required Supplementary Information

Santa Barbara Community College District
Schedule of Funding Progress for OPEB Obligation
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
8/1/10	$ -	$ 3,890,970	$ 3,890,970	0.0%	$ 45,009,948	8.6%
8/1/12	$ -	$ 3,967,021	$ 3,967,021	0.0%	$ 43,980,343	9.0%
9/1/14	$ -	$ 3,891,111	$ 3,891,111	0.0%	$ 45,718,051	8.5%

Santa Barbara Community College District

Schedule of Changes in the Net Pension Liability and Related Ratios - CalPERS

June 30, 2015

		2015 **
Proportion of the net pension liability		0.20530%
Proportionate share of the net pension liability	$	23,306,549
Covered-employee payroll	$	22,174,148
Proportionate share of the net pension liability as a percentage of its covered-employee payroll		105.11%
Plan's fiduciary net position	$	569,403,645
Plan fiduciary net position as a percentage of the total pension liability		83.38%

Notes to Schedule:

Benefit changes : There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes in assumptions: There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

** - Represents information as of and for the year ending June 30, 2014.

Santa Barbara Community College District

Schedule of Changes in the Net Pension Liability and Related Ratios - CalSTRS

June 30, 2015

		2015 **
Proportion of the net pension liability		0.08000%
Proportionate share of the net pension liability	$	46,749,600
Covered-employee payroll	$	36,087,011
Proportionate Share of the net pension liability as a percentage of its covered-employee payroll		129.55%
Plan's fiduciary net position	$	190,474,000,000
Plan fiduciary net position as a percentage of the total pension liability		76.52%

Notes to Schedule:
Benefit changes: The California Employees' Pension Reform Act of 2013 (PEPRA) resulted in a new benefit formula, CalSTRS 2% at 62 for members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. Significant changes compared to the CalSTRS 2% at 60 benefit formula include raising the normal retirement age from 60 to 62 and placing a limit on creditable compensation to 120 percent of the Social Security wage base, annually adjusted for changes in the Consumer Price Index.

Changes in assumptions: There were no changes in major assumptions from the June 30, 2012 actuarial valuation.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.
** - Represents information as of and for the year ending June 30, 2014.

Santa Barbara Community College District

Schedule of Contributions - CalPERS

June 30, 2015

	2015 **
Actuarially determined contribution	$ 2,509,530
Contributions in relation to the actuarially determined contributions	(2,509,530)
Contribution deficiency (excess)	$ -
Covered-employee payroll	22,174,148
Contributions as a percentage of covered-employee payroll	11.32%

Notes to Schedule:

Valuation date:	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Post retirement benefit increase	Contract COLA up to 2% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation.
Mortality	Derived using CalPERS' Membership Data for all Funds; the mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

** - Represents contributions for the year ending June 30, 2014.

Santa Barbara Community College District

Schedule of Contributions - CalSTRS

June 30, 2015

	2015 **
Actuarially determined contribution	$ 3,349,186
Contributions in relation to the actuarially determined contributions	(3,349,186)
Contribution deficiency (excess)	$ -
Covered-employee payroll	36,087,011
Contributions as a percentage of covered-employee payroll	9.28%

Notes to Schedule:

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll basis
Remaining amortization period	30 years
Asset valuation method	Expected value with 33% adjustment to market value
Inflation	3.00%
Salary increases	3.75%
Payroll growth	2% simple
Investment rate of return	7.60% net of pension plan investment; includes inflation.
Mortality	Derived using CalSTRS mortality tables to best fit the patterns among its members and based upon RP2000 series tables adjusted to fit CalSTRS experience

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

** - Represents contributions for the year ending June 30, 2014.

Supplementary Information

Santa Barbara Community College District
Organization
June 30, 2015

The District was established in 1964 and operates one community college and one continuing education division.

Board of Trustees

Name	Office	Term Expires
Dr. Marianne Kugler	President	2016
Ms. Marty Blum	Vice-President	2018
Mr. Jonathan Abboud	Member	2018
Ms. Marsha S. Croninger	Member	2018
Ms. Veronica Gallardo	Member	2016
Dr. Peter O. Haslund	Member	2018
Mr. Craig Nielsen	Member	2016

Administration

Dr. Lori Gaskin
SUPERINTENDENT/PRESIDENT

Dr. Jack Friedlander
EXECUTIVE VICE-PRESIDENT, EDUCATIONAL PROGRAMS

Mr. Joseph Sullivan
VICE-PRESIDENT, BUSINESS SERVICES

Ms. Patricia English
VICE-PRESIDENT, HUMAN RESOURCES

Dr. Paul Bishop
VICE PRESIDENT, INFORMATION TECHNOLOGY

Santa Barbara Community College District

Schedule of State Financial Awards

Year Ended June 30, 2015

		Program Revenues			
	Program	**Cash Received**	**Prior Year Deferral**	**Accounts Receivable**	**Unearned Revenues**
12010	Adult Basic ED ESL Grant	$ 235,656	$ 57,555	$	$ 74,443
12020	BFAP Board Financial Assistance	537,183			
12038	Kern CCD - Prop 39 Clean Energy	-		1,533	
12044	Cal Works	157,104			
12046	CARE	66,947			
12048	Child Development Training	8,675			
12064	Disabled Students Programs	1,426,953			13,040
12074	Enrollment Growth ADN Programs (odd year)	192,287			
12078	Extended Opportunity Program and Services	923,211			
12082	Faculty/Staff Professional Dev.	-	2,162		
12097	Financial Aid Media Campaign (even year)	-		2,183,448	
12098	Financial Aid Media Campaign (odd year)	720,626			
12100	Foster Parent Grant (55%)	35,508		35,508	
12117	DSN - Global Trade and Logistics	-		66,384	
12122	In Region - DSN Global Trade	-	26,416	60,000	
12127	AB 86 Adult Ed Consortium Planning	82,059	101,857		23,084
12129	DSN - Global Trade and Logistics	80,000		16,666	
12135	Allan Hancock DSN - Deputy Sector	15,929			
12137	Student Success Equity	806,876			631,358
12149	CTE Enhancement Fund	3,299,945			2,581,557
12166	MESA Program (odd year)	20,200	16		
12167	MESA Program (even year)	30,300		7,856	
12172	Credit Matriculation SSSP	2,055,265			898,605
12185	Non-Credit Matriculation SSSP	417,127			
12228	Staff Diversity	-	1,291		
12230	Staff Diversity	7,138			2,117
12254	CTE Comm. Collaborative	96,756	136,726		
33000	Child Development Program	90,296			
749608	CalGRANT	1,349,604			
	Totals	$ 12,655,645	$ 326,023	$ 2,371,395	$ 4,224,204

See accompanying note to supplementary information.

Santa Barbara Community College District

Schedule of State Financial Awards

Year Ended June 30, 2015

Page 2

	Program	Total Revenue	Program Expenditures
12010	Adult Basic ED ESL Grant	$ 218,768	$ 218,768
12020	BFAP Board Financial Assistance	537,183	537,183
12038	Kern CCD - Prop 39 Clean Energy	1,533	1,533
12044	Cal Works	157,104	157,104
12046	CARE	66,947	66,947
12048	Child Development Training	8,675	8,675
12064	Disabled Students Programs	1,413,913	1,413,913
12074	Enrollment Growth ADN Programs (odd year)	192,287	192,287
12078	Extended Opportunity Program and Services	923,211	923,211
12082	Faculty/Staff Professional Dev.	2,162	2,162
12097	Financial Aid Media Campaign (even year)	2,183,448	2,183,448
12098	Financial Aid Media Campaign (odd year)	720,626	720,626
12100	Foster Parent Grant (55%)	71,016	71,016
12117	DSN - Global Trade and Logistics	66,384	66,384
12122	In Region - DSN Global Trade	86,416	86,416
12127	AB 86 Adult Ed Consortium Planning	160,832	160,832
12129	DSN - Global Trade and Logistics	96,666	96,666
12135	Allan Hancock DSN - Deputy Sector	15,929	15,929
12137	Student Success Equity	175,518	175,518
12149	CTE Enhancement Fund	718,388	718,388
12166	MESA Program (odd year)	20,216	20,216
12167	MESA Program (even year)	38,156	38,156
12172	Credit Matriculation SSSP	1,156,660	1,156,660
12185	Non-Credit Matriculation SSSP	417,127	417,127
12228	Staff Diversity	1,291	1,291
12230	Staff Diversity	5,021	5,021
12254	CTE Comm. Collaborative	233,482	233,482
33000	Child Development Program	90,296	90,296
749608	CalGRANT	1,349,604	1,349,604
	Totals	$ 11,128,859	$ 11,128,859

See accompanying note to supplementary information.

Santa Barbara Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education:		
Passed through California Department of Education (CDE):		
Adult Education and Family Literacy	84.002A	$ 305,856
Higher Education - Institutional Aid - Title V Yr 4 *	84.031S	368,016
Higher Education - Institutional Aid - Title V Yr 5 *	84.031S	387,974
Higher Education - Institutional Aid - Title V iPath *	84.031S	104,783
Higher Education - Institutional Aid - STEM Yr 2 *	84031C	456,835
Passed through California State University Channel Islands		
Higher Education - Institutional Aid - ACCESO *	84.031C	26,835
Vocational and Applied Technology Training Act:		
CTE - Perkins IV Title I-C *	84.048	474,349
CTE - Transitions *	84.048	43,269
CTE - Perkins IB Regional Consortia South Central Region *	84.048A	220,000
Student Financial Aid:		
Supplemental Educational Opportunity Grant (SEOG) *	84.007	264,945
Pell Grant Program *	84.063	17,979,126
Federal Direct Loans *	84.268	13,095,066
Federal Work Study *	84.033	340,145
Total U.S. Department of Education		34,067,199
U.S. Department of Health and Human Services:		
Passed through California Department of Education (CDE):		
Temporary Assistance for Needy Families	93.558	36,703
Foster and Kinship Care	93.658 (41.6%)	50,573
Pre-Kindergarten Resource Contract/Child Development	93.575 (35.5%)	6,321
Pre-Kindergarten Resource Contract/Child Development	96.596 (64.5%)	11,485
Total U.S. Department of Health and Human Services		105,082
U.S. Department of Agriculture:		
Passed through California Department of Education (CDE):		
Child Care Food Program	10.558	21,007
Total U.S. Department of Agriculture		21,007
National Science Foundation		
Passed through Santa Clarita Community College:		
National Science Foundation CREATE Renewable Energy	47.076	364
Total National Science Foundation		364
Total expenditures of federal awards		$ 34,193,652

* Major federal award program

See accompanying note to supplementary information.

Santa Barbara Community College District
Schedule of Workload Measures for State General
Apportionment – Annual (Actual) Attendance
Year Ended June 30, 2015

		Reported Data
A.	Summer Intersession (Summer 2014 only)	
	1. Noncredit	108.31
	2. Credit	1,081.12
B.	Summer Intersession (Summer 2015 - Prior to July 1, 2015)	
	1. Noncredit	-
	2. Credit	658.53
C.	Primary Terms (Exclusive of Summer Intersession)	
	1. Census Procedure Courses	
	(a) Weekly Census Contact Hours	8,191.68
	(b) Daily Census Contact Hours	346.90
	2. Actual Hours of Attendance Procedure Courses	
	(a) Noncredit	664.18
	(b) Credit	1,003.96
	3. Independent Study/Work Experience	
	(a) Weekly Census Contact Hours	2,116.78
	(b) Daily Census Contact Hours	174.37
	(c) Noncredit Independent Study/Distance Education Courses	-
D.	Total FTES	14,345.83
Supplemental Information (subset of above information)		
E.	In-Service Training Courses (FTES)	-
H.	Basic Skills courses and Immigrant Education	
	(a) Noncredit	517.64
	(b) Credit	1,305.35
CCFS 320 Addendum		
CDCP Noncredit FTES		444.79
Centers FTES		
	(a) Noncredit	1,419.63
	(b) Credit	98.67

There were no audit adjustments to the reported data.

See accompanying note to supplementary information.

Santa Barbara Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311)
With the District's Accounting Records
Year Ended June 30, 2015

	Fiduciary Fund Type
	Expendable Trusts
June 30, 2015, Annual Financial and Budget Report (Form CCFS-311) Fund Balance/Retained Earnings	$ 2,998,329
Agency funds properly classified as liabilities due to student group. Automatically classified as fund balance in CCFS-311 software	(68,950)
June 30, 2015, Annual Financial Statements Fund Balance	$ 2,929,379

See accompanying note to supplementary information.

Santa Barbara Community College District
Annual Financial and Budget Report (CCFS-311) and
Reconciliation with the Statement of Net Position and
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

Description	General Fund	Enterprise Funds: Bookstore	Enterprise Funds: CLL	Special Revenue Funds: Food Service	Special Revenue Funds: Child Development
Revenues:					
Federal revenues	$ 2,809,447	$	$	$ 6,256	$ 38,813
State revenues	52,407,429				90,296
Local revenues	57,863,725	5,846,985	1,855,112	3,959,608	337,233
Total revenues	113,080,601	5,846,985	1,855,112	3,965,864	466,342
Expenditures:					
Academic salaries	47,212,271		775,201		176,186
Classified salaries	25,046,867	841,805	395,792	1,410,640	292,581
Employee benefits	17,773,553	294,851	192,990	313,708	205,218
Supplies and materials	3,090,961	4,006,999	202,222	1,950,405	15,884
Other operating expenses and services	14,488,554	497,057	271,973	309,124	826
Capital outlay	624,081	-	14,769	86,818	
Total expenditures	108,236,287	5,640,712	1,852,947	4,070,695	690,695
Excess (deficiency) of revenues over expenditures	4,844,314	206,273	2,165	(104,831)	(224,353)
Net other financing sources (uses)	(2,501,536)	(103,000)	123,728	(10,552)	157,833
Net increase (decrease) in fund balance	2,342,778	103,273	125,893	(115,383)	(66,520)
Ending fund balance - June 30, 2014	30,619,816	6,229,356	1,970	458,491	197,947
Ending fund balance - June 30, 2015	$ 32,962,594	$ 6,332,629	$ 127,863	$ 343,108	$ 131,427
Reconciliation to change in net position:					
Net decrease in fund balance	$ (6,978,113)				
Change in:					
Prepaid supplies	2,845				
Inventories	(14,297)				
Capital assets	7,769,520				
Depreciation expense	(5,324,340)				
Amounts held for others	(7,217)				
Unearned revenues	259,857				
Compensated absences and teacher load units	(177,614)				
Bond premium	75,867				
Bond interest payable	18,209				
Net OPEB obligation	(342,808)				
Bond principal payment	1,740,000				
Pension Expense (GASB)	1,669,437				
Decrease in net position	$ (1,308,654)				

See accompanying note to supplementary information.

Capital Projects Funds	Internal Service Funds	Revenue Bond Construction Fund	Bond Interest & Redemption Fund	Fiduciary Funds Group	Total
$	$	$	$	$ 31,339,136	$ 34,193,652
1,759,833				1,349,605	55,607,163
468,123	10,554	10,559	3,935,626	2,362,050	76,649,575
2,227,956	10,554	10,559	3,935,626	35,050,791	166,450,390
		29,694			48,193,352
		6,337			27,994,022
		3,742			18,784,062
		2,276		731,817	10,000,564
108,097	48,249	51,850		469,417	16,245,147
9,439,868		3,140,739		18,627	13,324,902
9,547,965	48,249	3,234,638		1,219,861	134,542,049
(7,320,009)	(37,695)	(3,224,079)	3,935,626	33,830,930	31,908,341
1,733,647			(4,550,487)	(33,736,087)	(38,886,454)
(5,586,362)	(37,695)	(3,224,079)	(614,861)	94,843	(6,978,113)
13,271,420	557,890	5,874,080	7,256,648	2,903,486	67,371,104
$ 7,685,058	$ 520,195	$ 2,650,001	$ 6,641,787	$ 2,998,329	$ 60,392,991

Reconciliation to ending net position:

Ending fund balance	$ 60,392,991
Prepaid expense	92,871
Inventories	(23,382)
Capital assets, net	140,156,007
Amounts held for others	(68,950)
Unearned revenues	475,102
Compensated absences and teacher load units	(3,691,348)
Bond premium, net	(1,626,075)
Interest payable	(1,161,453)
Net OPEB obligation	(2,388,509)
Bonds payable	(57,600,000)
Pension Expense	2,053,640
Record Prior Period Net Pension Liability	$ (82,354,876)
AR Adjustment	(594)
Ending net position	$ 54,255,424

Santa Barbara Community College District
Reconciliation of ECS 84362 (50 Percent Law) Calculation
Year Ended June 30, 2015

	Object / TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	$ 19,391,067	$	$ 19,391,067	$ 19,666,476	$	$ 19,666,476
Other	1300	18,449,428		18,449,428	18,692,079		18,692,079
Total Instructional Salaries		37,840,495		37,840,495	38,358,555		38,358,555
Non-Instructional Salaries							
Contract or Regular	1200				4,411,925		4,411,925
Other	1400				1,035,021		1,035,021
Total Non-Instructional Salaries					5,446,946		5,446,946
Total Academic Salaries		37,840,495		37,840,495	43,805,501		43,805,501
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100				15,601,512		15,601,512
Other	2300				994,297		994,297
Total Non-instructional Salaries					16,595,809		16,595,809
Instructional Aides							
Regular Status	2200	2,049,207		2,049,207	2,188,865		2,188,865
Other	2400	1,377,734		1,377,734	1,426,644		1,426,644
Total Instructional Aides		3,426,941		3,426,941	3,615,509		3,615,509
Total Classified Salaries		3,426,941		3,426,941	20,211,318		20,211,318
Employee Benefits	3000	9,144,329		9,144,329	16,137,119		16,137,119
Supplies and Materials	4000				2,071,904		2,071,904
Other Operating Expenses	5000				8,741,607		8,741,607
Equipment Replacement	6420				43,232		43,232
Total Expenditures Prior to Exclusions		$ 50,411,765	$ -	$ 50,411,765	$ 91,010,681	$ -	$ 91,010,681

See accompanying note to supplementary information.

Santa Barbara Community College District

Reconciliation of ECS 84362 (50 Percent Law) Calculation

Year Ended June 30, 2015

Page 2

	Object / TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits							
and Retirement Incentives	5900	$ 65,520	$	$ 65,520	$ 65,520	$	$ 65,520
Student Health Services Above Amount Collected	6441						
Student Transportation	6491						
Noninstructional Staff-Retirees' Benefits							
and Retirement Incentives	6740				114,339		114,339
Objects to Exclude							
Rents and Leases	5060				252,155		252,155
Lottery Expenditures							
Academic Salaries	1000	1,091,903		1,091,903	1,743,522		1,743,522
Classified Salaries	2000						
Employee Benefits	3000	272,975		272,975	435,880		435,880
Supplies and Materials	4000						
Software	4100						
Books, Magazines, and Periodicals	4200						
Instructional Supplies and Materials	4300						
Noninstructional, Supplies & Materials	4400						
Total Supplies and Materials							
Other Operating Expenses and Services	5000						
Capital Outlay	6000						
Library Books	6300				76,620		76,620
Equipment	6400						
Equipment - Additional	6410				139,647		139,647
Equipment - Replacement	6420				50,317		50,317
Total Equipment					189,964		189,964
Total Capital Outlay					266,584		266,584
Other Outgo	7000						
Total Exclusions		$ 1,430,398	$ -	$ 1,430,398	$ 2,878,000	$ -	$ 2,878,000
Total for ECS 84362, 50% Law		$ 48,981,367	$ -	$ 48,981,367	$ 88,132,681	$ -	$ 88,132,681
Percent of CEE (Instructional Salary Cost / Total CEE)		55.58%		55.58%			
50% of Current Expense of Education					$ 44,066,341		$ 44,066,341

See accompanying note to supplementary information.

Santa Barbara Community College District

Reconciliation of Education Protection Act Expenditures

Year Ended June 30, 2015

Activity Classification	**Object Code**				**Unrestricted**
EPA proceeds:	8630				$ 12,226,911
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 12,226,911	$	$	$ 12,226,911
Other Support Activities (list below)	6XXX				
Total Expenditures for EPA *		$ -	$ -	$ -	$ 12,226,911
Revenues less Expenditures					$ -

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

See accompanying note to supplementary information.

Santa Barbara Community College District
Note to Supplementary Information
June 30, 2015

Note 1: Purpose of Schedules

Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards

The audit of the District for the fiscal year ended June 30, 2015, was conducted in accordance with OMB Circular A-133 which requires a disclosure of the financial activities of all federally funded programs. To comply with Circular A-133 and State requirements, the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Awards were prepared by the District.

General: The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Basis of Accounting: The accompanying Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards are presented using the accrual basis of accounting, which is described in Note 1 to the District's basic financial statements.

Schedule of Workload Measures for State General Apportionment – Annual (Actual) Attendance

Schedule of Workload Measures for State General Apportionment – Annual (Actual) Attendance represents the basis of apportionment of the District's annual source of State funding. This schedule includes only the apportionment generating FTES of California residents.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with District's Accounting Records

This schedule provides the information necessary to reconcile the fund equity of all funds reported on the Form CCFS-311 to the District's accounting records in accordance with the State Budget and Accounting Manual.

Annual Financial and Budget Report (CCFS-311) and Reconciliation with the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

A reconciliation is provided to reconcile the CCFS-311, which is on a modified accrual basis of accounting to the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, which are on the accrual basis of accounting.

Note 1: Purpose of Schedules (Continued)

Reconciliation of ECS 84362 (50 Percent Law) Calculation

A reconciliation is provided to reconcile the CCFS-311 to the District's ECS 84362 (50 Percent Law) calculation.

Reconciliation of Education Protection Act Expenditures

A reconciliation is provided to reconcile the CCFS-311 to the District's Education Protection Act expenditures.

Other Independent Auditors' Reports

GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

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
Santa Barbara Community College District
Santa Barbara, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the business-type activities of Santa Barbara Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2015. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Foundation for Santa Barbara City College, as described in our report on the District's financial statements. The financial statements of the Foundation for Santa Barbara City College were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Glenn Burdette Attest Corporation
San Luis Obispo, California

November 23, 2015

GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Trustees
Santa Barbara Community College District
Santa Barbara, California

Compliance

We have audited Santa Barbara Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

November 23, 2015

GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on State Compliance Requirements

Board of Trustees
Santa Barbara Community College District
Santa Barbara, California

Report on State Compliance

We have audited Santa Barbara Community College District (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *Contracted District Audit Manual* issued in August 2014 that could have a direct and material effect on each of the District's programs for the year ended June 30, 2015 as listed below:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination For Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Program
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *Contracted District Audit Manual* issued in August 2014.

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Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and Section 400 of the California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred. An audit also includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, Santa Barbara Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the District programs for the year ended June 30, 2015, except as described in the accompanying schedule of findings and questioned costs as finding 15.1.

Purpose of this Report

This report is intended solely for the information and use of the District's management, the Board of Trustees, the California Community Colleges Chancellor's Office, the California Department of Finance, the California Department of Education, federal and state 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

Glenn Burdette Attest Corporation
San Luis Obispo, California

November 23, 2015

Findings and Recommendations

Santa Barbara Community College District
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2015

Section I: Summary of Auditors' Results

Financial Statements

(a) Type of auditors' report issued: **Unqualified.**

(b) Internal control over financial reporting:
- Material weakness(es) identified: **No.**
- Significant deficiency(ies) identified: **None reported.**

(c) Noncompliance material to financial statements noted: **No.**

Federal Awards

(d) Internal control over major programs:
- Material weakness(es) identified: **No.**
- Significant deficiency(ies) identified: **None reported.**

(e) Type of auditors' report issued on compliance for major programs: **Unqualified.**

(f) Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a): **No.**

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.031	Higher Education – Institutional Aid
84.007, 84.033, 84.630, 84.268	Student Financial Assistance Cluster
84.048	Career and Technical Education – Basic Grants to States (Perkins IV)

(g) Dollar threshold used to distinguish between Type A and Type B programs: **$300,000**

(h) Auditee qualified as low-risk auditee: **Yes.**

State Awards

(i) Internal control over State programs:
- Material weakness(es) identified: **No.**
- Significant deficiency(ies) identified: **None reported.**

(j) Type of auditors' report issued on compliance for State programs: **Unqualified.**

Section II: Financial Statement Findings

None.

Section III: Federal Award Findings and Questioned Costs

None.

Section IV: State Compliance Findings and Questioned Costs

Finding 15.1: To Be Arranged Hours (TBA) Total Credit Hours

Criteria: In accordance with CCR, Title 5, Sections 58003.1(b) and (c), and the Student Attendance Accounting Manual, the District is required to adopt procedures relating to apportionment for To Be Arranged Hours (TBA). Procedures shall include the proper calculation of contact hours and full-time equivalent students (FTES) using accurate information in regards to enrolled resident students and course credit units.

Condition: During our testwork in accordance with State compliance requirements related to TBA, we identified 1 (one) instance in which total credit hours and related FTES were understated for a course due to incorrectly applying credit units in the calculation. Our testwork sample of 25 was selected from client provided support for the Annual Report indicating a total of 332 TBA courses submitted for apportionment. This instance of miscalculation was the result of an input error by District staff for the credit units of this course.

Cause and Effect: The instance noted above was the result of District personnel incorrectly applying credit units for the course selected.

Questioned Costs: In our sample, credit FTES were understated by 0.42 due to the inaccurate calculation of contact hours on the Annual Report for the TBA course selected. We extrapolated the error rate to the entire population of the respective attendance procedure type for a net understatement of 6.61 credit FTES.

Recommendation: We recommend that the District ensure tabulations submitted by the District for apportionment funding are supported by and agree to attendance and course records in accordance with CCR, Title 5, Sections 58003.1(b) and (c).

District Response: The District agrees with the finding and an adjustment of 220.5 contact hours (0.42 FTES) has been added to the Recal CCFS-320 report submitted on November 10, 2015.

Santa Barbara Community College District
Schedule of Status of Prior Audit Findings – June 30, 2014
Year Ended June 30, 2015

No findings in the prior year.