SANTA BARBARA COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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 and the aggregate remaining fund information of Santa Barbara Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2015-2016 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 19, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 68, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 69, and the Schedule of District Contributions on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is 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 accompanying supplementary information is 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 December 2, 2016, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 2, 2016

INTRODUCTION

This introduction to the District-wide financial statements provides background information regarding the financial position and activities of the Santa Barbara Community College District (the District) for the years ended June 30, 2016 and 2015. We encourage readers to consider the information presented in this Management's Discussion and Analysis in conjunction with the financial statements and accompanying notes to the financial statements.

Overview of the District-Wide Basic Financial Statements

The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities, which are supported primarily by local property taxes and State apportionment revenues. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District. The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the District-wide financial statements.

This Annual Report

This annual report consists of the following sections:

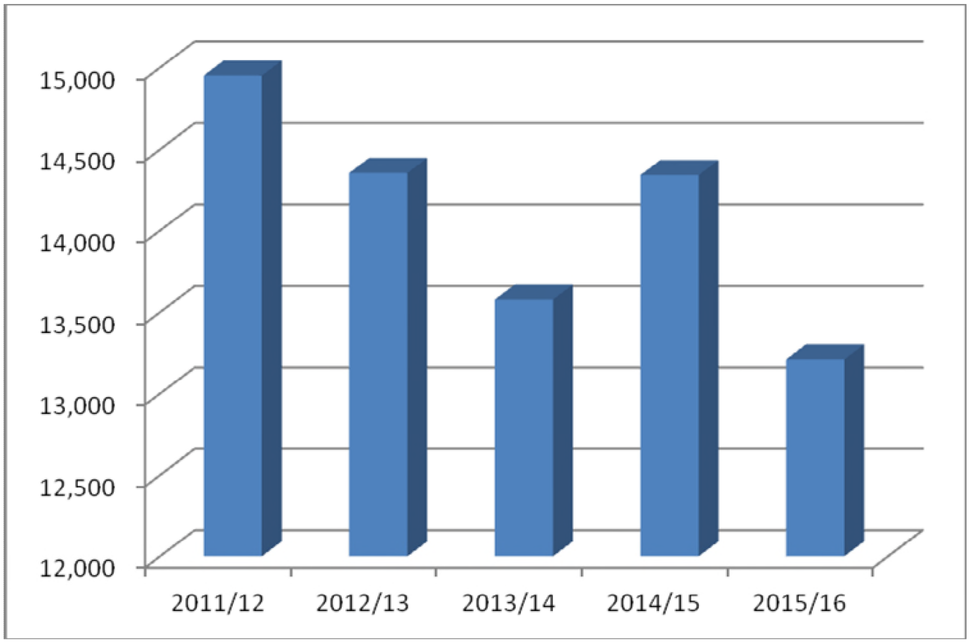
- Management's Discussion and Analysis (MD&A) utilizing a current year/prior year format;
- District-Wide Basic Financial Statements, including required Notes to the Financial Statements; and
- Supplementary Information.

FINANCIAL HIGHLIGHTS

This section provides condensed information for each of the three basic financial statements, as well as illustrative charts, graphs, and tables.

The District's primary funding is based upon an apportionment allocation made by the State of California, Community Colleges Chancellor's Office (System Office). The primary basis for the Chancellor's apportionment calculation is the District's reporting of Full-Time Equivalent Students (FTES). During fiscal years 2015-2016 and 2014-2015, the District's FTES was 13,210 and 14,343, respectively. The District received stability funding in 2015-2016, and apportionment was calculated on the prior year's FTES of 14,343.

The graph below depicts the District's five-year trend for FTES:



After the Chancellor's Office calculates the District's base apportionment, it reduces the net amount to be distributed by the amount of property taxes, Prop 30 Education Protection Act funds, and enrollment fees expected to be paid directly to the District. The matrix below lists the four components and illustrates the net effect of the actual receipts for fiscal year 2015-2016 as compared to fiscal year 2014-2015:

	2016	2015	Difference
Property tax	$ 27,083,077	$ 25,845,149	$ 1,237,928
Enrollment fees	8,525,222	9,261,140	(735,918)
Apportionment	31,355,075	26,063,918	5,291,157
Education Protection Act	11,352,338	12,226,911	(874,573)
Total	$ 78,315,712	$ 73,397,118	$ 4,918,594

CONDENSED DISTRICT-WIDE FINANCIAL INFORMATION IS AS FOLLOWS:

Condensed Statement of Net Position
as of June 30, 2016 and 2015

	2016	2015	Change
ASSETS			
Current Assets			
Cash and investments	$ 95,520,269	$ 73,214,278	$ 22,305,991
Accounts receivable (net)	10,991,526	5,067,715	5,923,811
Other current assets	1,316,489	1,352,058	(35,569)
Total Current Assets	107,828,284	79,634,051	28,194,233
Capital Assets (net)	145,421,272	141,709,723	3,711,549
Total Assets	253,249,556	221,343,774	31,905,782
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	3,995,107	-	3,995,107
Deferred outflows related to pensions	20,820,521	6,972,904	13,847,617
Total Assets and Deferred Outflows	$ 278,065,184	$ 228,316,678	$ 49,748,506
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	$ 14,761,519	$ 11,318,424	$ 3,443,095
Unearned revenues	11,621,642	10,616,663	1,004,979
Current portion of long-term debt	3,461,747	3,801,000	(339,253)
Total Current Liabilities	29,844,908	25,736,087	4,108,821
Long-Term Obligations	166,752,515	133,828,966	32,923,549
Total Liabilities	196,597,423	159,565,053	37,032,370
DEFERRED INFLOWS OF RESOURCES			
Deferred outflows related to pensions	18,068,022	17,217,991	850,031
NET POSITION			
Net investment in capital assets	82,122,129	89,585,695	(7,463,566)
Restricted	31,644,193	22,936,119	8,708,074
Unrestricted	(50,366,583)	(60,988,180)	10,621,597
Total Net Position	63,399,739	51,533,634	11,866,105
Total Liabilities, Deferred Inflows and Net Position	$ 278,065,184	$ 228,316,678	$ 49,748,506

The preceding schedule has been prepared from the District's Statement of Net Position (page 20) which is presented on the accrual basis of accounting whereby assets are capitalized and depreciated. Cash and investments (above) consist primarily of funds held in the Santa Barbara Treasury.

Cash and investments, and short-term receivables increased by $28.2 million, and capital assets increased by $3.7 million. The increase in cash and investments was due primarily to the District issuing the final $15.2 million of Measure V related bonds February 2016, as well as cash savings related to the District becoming fiscally independent from the County Education Office on July 1, 2015. The increase in short-term receivables is primarily due to increases in State and Local Accounts Receivable. Capital assets increased by $3.7 million primarily due to the construction in progress on the West Campus Classroom and Office Building. Current Liabilities increased by $4.1 million due to a change in the timing of payroll liability payments. This change in timing is related to the District becoming fiscally independent from the County. Noncurrent liabilities increased by $32.9 million due to the issuance of the general obligation bonds and a $13.4 million increase in the net pension liability calculated as part of the GASB Statement No. 68 actuarial report.

The deferred charge on refunding is related to the District refunding the majority of the Series A Measure V Bonds during the year. As part of the refunding, there was a $4.1 million difference between the amount of cash transferred into the escrow account and the bonds that were being refunded. This amount will be amortized as interest expense over the remaining life of the bonds. Amortization expense for this fiscal year was $116,930. The changes in the deferred inflows and outflows related to pensions are calculated as part of the GASB Statement No. 68 implementation, and will continue to fluctuate from year to year based on the changes in actuarial valuations for the CalPERS and CalSTRS systems.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
for the Years Ended June 30, 2016 and 2015

(Amounts in thousands)

	2016	2015	Change
Operating Revenues			
Tuition and fees	$ 28,612,312	$ 27,579,911	$ 1,032,401
Auxiliary sales and other operating revenues	7,336,772	7,695,841	(359,069)
Total Operating Revenues	35,949,084	35,275,752	673,332
Operating Expenses			
Salaries and benefits	99,799,334	93,731,659	6,067,675
Supplies, maintenance, and student aid	63,552,619	66,187,321	(2,634,702)
Depreciation	5,549,514	5,379,389	170,125
Total Operating Expenses	168,901,467	165,298,369	3,603,098
Loss on Operations	(132,952,383)	(130,022,617)	(2,929,766)
Nonoperating Revenues			
State apportionments	31,355,075	26,063,918	5,291,157
Property taxes	31,205,551	29,592,865	1,612,686
State revenues	11,705,103	4,444,191	7,260,912
Grants and contracts	61,857,060	64,859,749	(3,002,689)
Net interest expense	(1,974,968)	(2,112,336)	137,368
Other nonoperating revenues	7,965,812	3,658,700	4,307,112
Total Nonoperating Revenue	142,113,633	126,507,087	15,606,546
Other Revenues			
State and local capital income	2,704,855	2,206,876	497,979
Net Increase in Net Position	$ 11,866,105	$ (1,308,654)	$ 13,174,759

The schedule presented above has been prepared from the Statement of Revenues, Expenses, and Changes in Net Position. State general apportionment, while budgeted for operations, is considered nonoperating revenue according to the Governmental Accounting Standards Board's (GASB) prescribed reporting format. Grant and contracts revenue includes student financial aid, as well as specific Federal and State grants received for programs serving the students of the District.

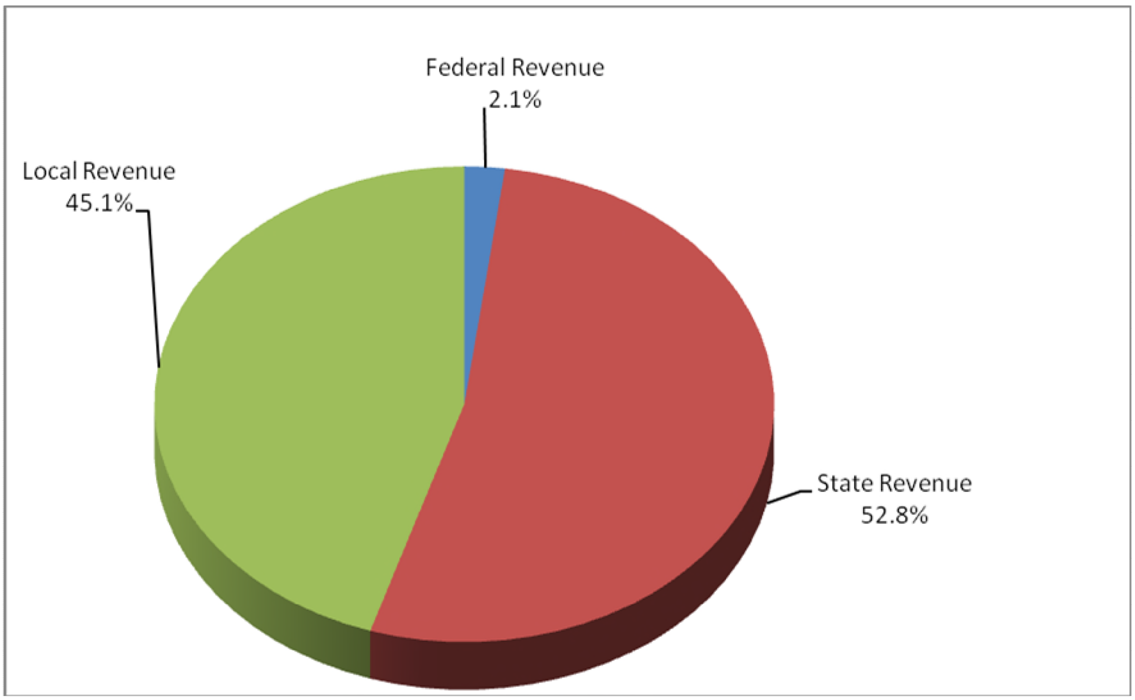
While the District is experiencing a decline in enrollment, the total revenue from tuition and fees increased during 2015-2016 due to an increase in non-resident tuition, as well as a reduction in the amount of students receiving a Board of Governors fee waiver. Revenues from Auxiliary sales decreased primarily due to a decrease in sales at the Campus Store. The decrease in sales had a corresponding decrease in cost of goods sold, which is included in the operating expenses. In total, operating expenses increased in the prior year due primarily to increases in pension expenses as calculated under GASB Statement No. 68. Nonoperating revenues had a significant increase over 2014-2015 due to significant increases in one-time funds coming from the State.

General Fund

While this Management's Discussion and Analysis and the District-wide financial statements report the financial position and results of operations for the District as a whole, the following pie charts are intended to give the reader information specific to the General Fund.

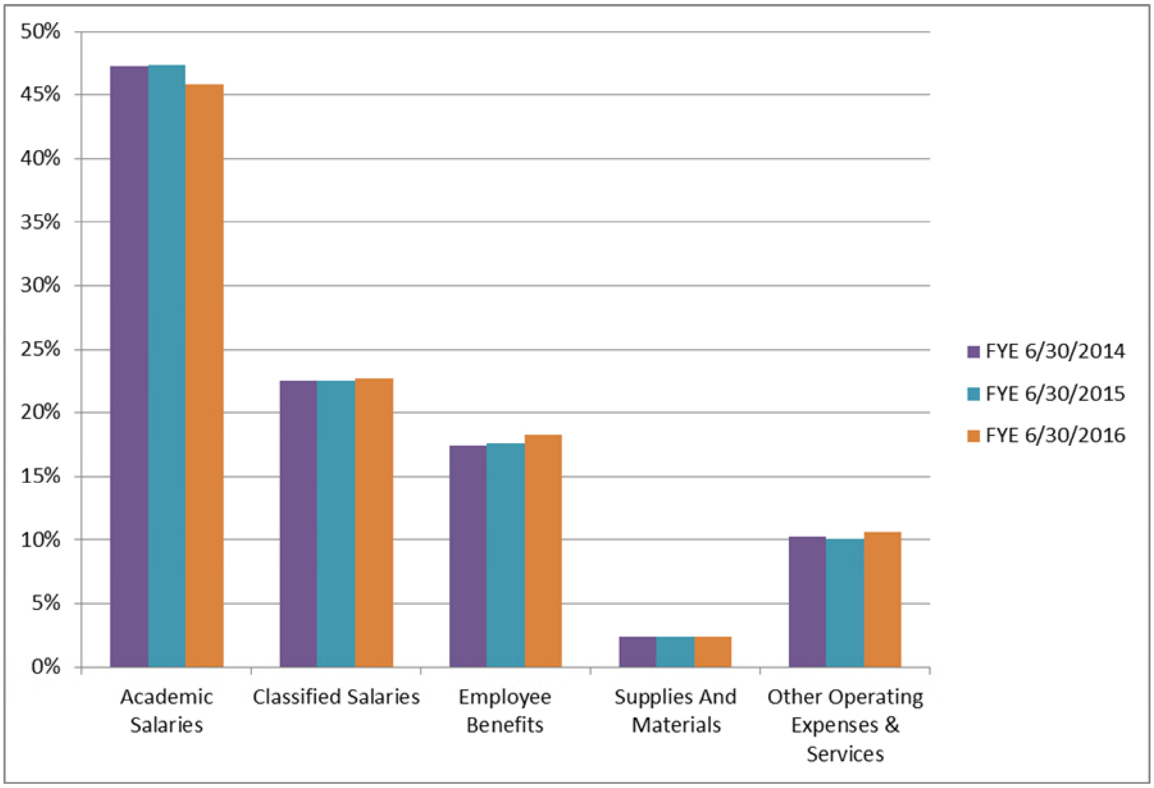
General Fund Revenues by Source

The chart below depicts the District's General Fund total revenues by source:



General Fund Expenditures by Type

The chart below depicts a three year review of the District's General Fund total expenditures before transfers by type:



The District's expenditures on employee salaries and benefits made up 86.9 percent of the total General Fund expenditures before transfers. This is down slightly from 87.5 percent in 2014-2015, and 87.2 percent in 2013-2014. While classified salaries and employee benefits have shown increases in the past year, academic salaries decreased due to the decline in enrollment that the District experienced in 2015-2016.

Expenditures by Activity

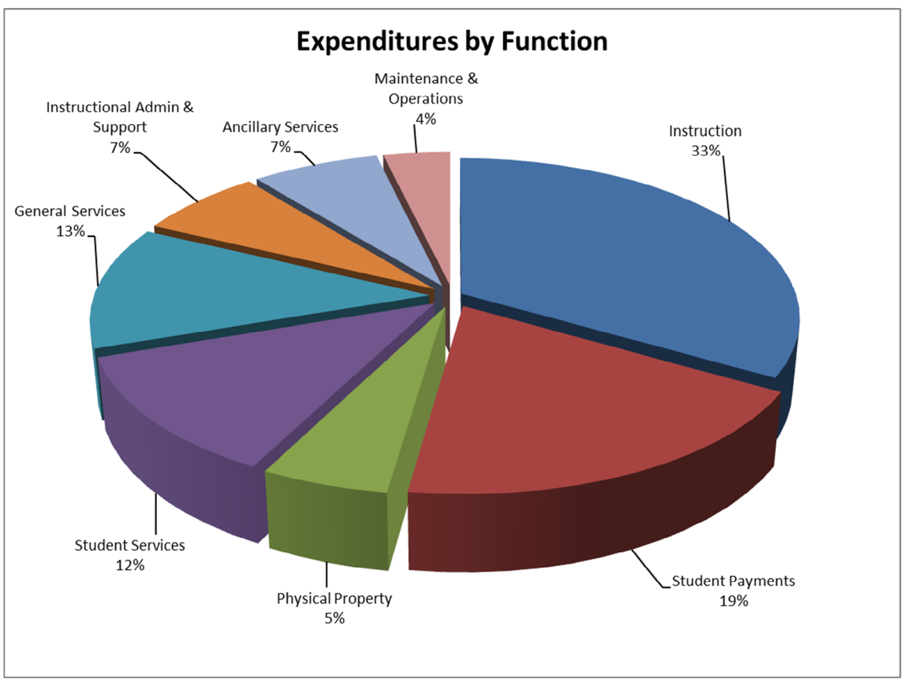
The following table summarizes the District's expenditures by activity for the year ended June 30, 2016:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Aid	Depreciation	Total
Instruction	$ 42,648,267	$ 11,158,346	$ 2,320,376	$ 146,827	$ -	$ -	$ 56,273,816
Instructional Administration	4,308,847	1,528,548	3,368,170	72,670	-	-	9,278,235
Instructional Support Services	1,783,780	537,541	144,434	120,231	-	-	2,585,986
Admissions and Records	662,801	326,623	32,484	185	-	-	1,022,093
Counseling and Guidance	5,899,400	1,778,744	1,086,290	25,687	-	-	8,790,121
Other Student Services	4,671,643	1,633,657	4,387,062	86,131	-	-	10,778,493
Operations and Maintenance	2,557,298	1,366,933	2,319,712	46,568	-	-	6,290,511
Planning and Policy Making	995,452	375,465	340,035	922	-	-	1,711,874
General Institutional Services	7,289,314	3,198,743	5,832,913	578,119	-	-	16,899,089
Community Services	1,503,898	343,358	540,397	9,141	-	-	2,396,794
Ancillary Services	3,911,604	1,319,072	6,733,751	26,694	-	-	11,991,121
Auxiliary Operations	-	-	910	-	-	-	910
Student Aid	-	-	-	-	31,986,177	-	31,986,177
Physical Property and Related Acquisitions	-	-	247,010	3,099,723	-	-	3,346,733
Depreciation	-	-	-	-	-	5,549,514	5,549,514
Total	$ 76,232,304	$ 23,567,030	$ 27,353,544	$ 4,212,898	$ 31,986,177	$ 5,549,514	$ 168,901,467

The following pie chart groups the District's expenditures by activity into major functional areas. The chart definitions below identify which activities are included in each major functional area.

Chart Definitions:

- Instruction: Consists of direct instructional expenses.
- Student Payments: Primarily consists of financial aid payments to students.
- Physical Property: Depreciation, Non-capitalized construction and purchases of small equipment.
- Student Services: Includes admissions and records, counseling, and other student service related expenses.
- General Services: Includes planning and 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.



Condensed Statement of Cash Flows
for the Years Ended June 30, 2016 and 2015

(Amounts in thousands)

	2016	2015	Change
Cash Provided by (Used in)			
Operating activities	$ (122,071,875)	$ (118,293,937)	$ (3,777,938)
Noncapital financing activities	134,020,028	130,145,505	3,874,523
Capital financing activities	10,030,923	(6,451,306)	16,482,229
Investing activities	326,915	210,911	116,004
Net Increase (Decrease) in Cash	22,305,991	5,611,173	16,694,818
Cash, Beginning of Year	73,214,278	67,603,105	5,611,173
Cash, End of Year	$ 95,520,269	$ 73,214,278	$ 22,305,991

The previous schedule has been prepared from the Statement of Cash Flows presented on pages 22 and 23. This statement provides information about cash receipts and cash payments during the fiscal year. It also helps users assess the District's ability to generate positive net cash flows and its ability to meet its obligations as they come due.

The primary operating activities contributing to cash flow are student tuition and fees and Federal, State, and local grants and contracts, while the primary operating activity using cash flow throughout the year is the payment of salaries and benefits.

Even though State apportionment and property taxes are the primary source of District revenue (and cash flow), GASB accounting standards require that these sources of revenue be shown as nonoperating revenue since they come from the general resources of the State and not from the primary users of the District's programs and services (students). Nevertheless, the District depends upon this funding as the primary source of funds to continue operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had $213,897,216 in a range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2016, the District's net capital assets were $145,421,272. Major capital improvement projects are ongoing throughout the District. These projects are primarily funded through State Construction Act revenues and District General Obligation Bonds. Projects are accounted for within the construction in progress account until the project is completed at which time the cost of the buildings and/or improvements will be recorded to the depreciable buildings and improvement category.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 9,660,005	$ 6,615,982	$ (825,706)	$ 15,450,281
Buildings and improvements	182,809,504	2,251,431	-	185,060,935
Equipment	12,183,064	1,219,356	(16,420)	13,386,000
Subtotal	204,652,573	10,086,769	(842,126)	213,897,216
Accumulated depreciation	(62,942,850)	(5,549,514)	16,420	(68,475,944)
	$ 141,709,723	$ 4,537,255	$ (825,706)	$ 145,421,272

We present more detailed information about our capital assets in Note 6 to the financial statements.

Obligations

At the end of the 2015-2016 fiscal year, the District had $78,266,142 in General Obligation Bonds outstanding, net of premium. These bonds are repaid in annual installments, in accordance with the obligation requirements for each debt issuance, by way of property tax assessments on property within the District's boundaries.

The District is also obligated to employees of the District for vacation, load banking benefits, loans payable, and retiree health payments.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of $83,500,334, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District has therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds and loans payable	$ 61,493,960	$ 61,884,741	$ (43,123,094)	$ 80,255,607
Aggregate net pension liability	70,056,149	13,444,185	-	83,500,334
Other long-term obligations	7,288,586	729,840	(1,560,105)	6,458,321
Total Long-Term Obligations	$ 138,838,695	$ 76,058,766	$ (44,683,199)	$ 170,214,262
Amount due within one year				$ 3,461,747

We present more detailed information about our long-term obligations in Note 10 to the financial statements.

Fund Balances

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

Fund Type	Ending Fund Balance 6/30/15	Ending Fund Balance 6/30/16	Change in Fund Balance
General Fund	32,962,594	30,914,832	(2,047,762)
Bond Funds	9,291,788	20,836,663	11,544,875
Capital Projects Fund	7,685,058	23,099,371	15,414,313
Enterprise Funds	6,460,492	6,410,802	(49,690)
Special Revenue Funds	474,535	264,319	(210,216)
Internal Service & Fiduciary Funds	3,518,524	3,300,782	(217,742)
Total	60,392,991	84,826,769	24,433,778

Total ending fund balances increased $24 million (40.5 percent) from $60.4 million to $84.8 million, with the majority of changes due to the final draw down of the Measure V Bonds, as well as one time funding from the State received into the General Fund and transferred into the capital projects fund for the Campus Center project.

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 percent 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 percent of annual projected Unrestricted General Fund expenditures, whichever is greater. The Unrestricted General Fund reserve is $20.6 million or approximately 21.6 percent of the annual projected Unrestricted General Fund expenditures.

FACTORS THAT MAY AFFECT THE FUTURE

Accreditation

- 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 2016, the ACCJC reaffirmed the District's accreditation status.

- The reaffirmation of the District's accreditation status is valid for 18 months, at which time the District will file a follow up report with the ACCJC by March 15, 2017. The full ACCJC Reaffirmation letter is available on the District's website.

State Economy

- 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 2012-2013, 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 percent 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 percent of the Proposition 30 revenues. The remaining 80 percent of the Proposition 30 revenues comes from an income tax increase, which ends December 31, 2018.

- On November 8, 2016, the voters of the State of California passed Proposition 55, which extended the income tax portion of Proposition 30 through December 31, 2030.

- The Governor continues to budget State revenues conservatively. In 2015-2016, State revenues came in higher than budgeted. The expectation by the Legislative Analyst Office is that 2016-2017 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 20 percent by 2021. The increases are a significant cost obligation for schools and colleges. We anticipate these increases to cost the District approximately $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%	13.89%	15.50%	17.10%	18.60%	19.80%

District Budget

- The District received stability funding during the 2015-2016 fiscal year. Stability funding allows for a hold harmless year in the first year of enrollment decline, which provided the District with apportionment funding based on the prior year enrollment levels.

- The District's 2016-2017 Adopted Budget includes a $4.3 million reduction in State Apportionment revenue due to a projected 7 percent decline in Full-Time Equivalent Students (FTES). The District is projecting that FTES will continue to decline into the future and is taking steps to stabilize the FTES levels and match expenditures to the reduced revenues.

- 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 to reduce allocated revenue. There was no deficit factor for the District in 2015-2016. No deficit factor was included in the District's 2016-2017 Adopted Budget.

- The enacted 2016-2017 State budget provides no funding for COLA.

- In 2015-2016, the District transferred $11.8 million from the Unrestricted General Fund to fully fund the modernization of the Campus Center building. The ending fund balance related to these designated funds was $13.2 million. At the November 10, 2016, board meeting, the board rejected all bids related to this project because the lowest bid was more than $7 million above the estimated cost. The District is currently evaluating its options related to this project.

- The District's 2016-2017 Adopted Budget anticipates spending all remaining funds from the Measure V Bond on the West Campus Classroom and Office Building. The budget also includes a $2.8 million transfer from the Unrestricted General Fund to the Construction Fund to cover the expenditures related to the West Campus Classroom and Office Building that surpass the available funds from the Measure V Bond.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Santa Barbara Community College District, 721 Cliff Drive, Santa Barbara, California 93109.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2016

ASSETS	
Current Assets	
Cash and cash equivalents	$ 95,520,269
Accounts receivable	8,183,945
Student accounts receivable, net	2,734,091
Due from fiduciary funds	73,490
Prepaid expenses	18,864
Inventories	1,297,625
Total Current Assets	107,828,284
Noncurrent Assets	
Nondepreciable capital assets	15,450,281
Depreciable capital assets, net of depreciation	129,970,991
Total Noncurrent Assets	145,421,272
TOTAL ASSETS	253,249,556
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	3,995,107
Deferred outflows of resources related to pensions	20,820,521
TOTAL DEFERRED OUTFLOWS OF RESOURCES	24,815,628
LIABILITIES	
Current Liabilities	
Accounts payable	12,251,464
Accrued interest payable	1,244,999
Due to fiduciary funds	1,265,056
Unearned revenue	11,621,642
Compensated absences - current portion	1,513,957
Teacher load units - current portion	221,147
Bonds payable - current portion	1,425,000
Loans payable - current portion	301,643
Total Current Liabilities	29,844,908
Noncurrent Liabilities	
Compensated absences - noncurrent portion	478,993
Teacher load units - noncurrent portion	1,294,330
Bonds payable - noncurrent portion	65,275,000
Bonds premium	11,566,142
Loans payable - noncurrent portion	1,687,822
Other postemployment benefits	2,949,894
Aggregate net pension obligation	83,500,334
Total Noncurrent Liabilities	166,752,515
TOTAL LIABILITIES	196,597,423
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	18,068,022
NET POSITION	
Net investment in capital assets	82,122,129
Restricted for:	
Debt service	6,630,308
Capital projects	23,099,371
Educational programs	1,914,514
Unrestricted	(50,366,583)
TOTAL NET POSITION	$ 63,399,739

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 - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Student Tuition and Fees	$ 37,251,459
Less: Scholarship discount and allowance	(8,639,147)
Net tuition and fees	28,612,312
Auxiliary Enterprise Sales and Charges	
Campus Store	4,951,445
Center for Lifelong Learning	1,697,463
Other Operating Revenues	687,864
TOTAL OPERATING REVENUES	35,949,084
OPERATING EXPENSES	
Salaries	76,232,304
Employee benefits	23,567,030
Supplies, materials, and other operating expenses and services	27,353,544
Student financial aid	31,986,177
Equipment, maintenance, and repairs	4,212,898
Depreciation	5,549,514
TOTAL OPERATING EXPENSES	168,901,467
OPERATING LOSS	(132,952,383)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	31,355,075
Local property taxes, levied for general purposes	27,083,077
Taxes levied for other specific purposes	4,122,474
Federal grants	32,073,401
State grants	29,783,659
State taxes and other revenues	11,705,103
Investment income	326,915
Interest expense on capital related debt	(2,329,773)
Investment income on capital asset-related debt, net	27,890
Transfer from fiduciary funds	131,448
Transfer to fiduciary funds	(102,117)
Other nonoperating revenue	7,936,481
TOTAL NONOPERATING REVENUES (EXPENSES)	142,113,633
INCOME BEFORE OTHER REVENUES	9,161,250
State revenues, capital	2,704,855
CHANGE IN NET POSITION	11,866,105
NET POSITION, BEGINNING OF YEAR	51,533,634
NET POSITION, END OF YEAR	$ 63,399,739

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

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 27,208,294
Payments to vendors for supplies and services	(27,895,685)
Payments to or on behalf of employees	(96,735,079)
Payments to students for scholarships and grants	(31,986,177)
Auxiliary enterprise sales and charges	7,336,772
Net Cash Flows From Operating Activities	(122,071,875)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	31,082,817
Grant and contracts	61,857,060
Property taxes	27,083,077
State taxes and other apportionments	9,869,279
Other nonoperating	4,127,795
Net Cash Flows From Noncapital Financing Activities	134,020,028
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(9,057,304)
Proceeds from capital debt	61,884,741
State revenue, capital projects	2,704,855
Property taxes - related to capital debt	4,122,474
Principal paid on capital debt	(43,123,094)
Interest paid on capital debt	(6,528,639)
Interest received on capital asset-related debt	27,890
Net Cash Flows From Capital Financing Activities	10,030,923
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	326,915
Net Cash Flows From Investing Activities	326,915
NET CHANGE IN CASH AND CASH EQUIVALENTS	22,305,991
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	73,214,278
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 95,520,269

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2016

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (132,952,383)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	5,549,514
Changes in Assets and Liabilities	
Receivables	22,288
Inventories	32,621
Prepaid expenses	2,948
Accounts payable and accrued liabilities	3,443,095
Unearned revenue	1,004,979
Compensated absences	(182,921)
Change in deferred outflows related to pensions	(13,847,617)
Change in deferred inflows related to pensions	850,031
Aggregate net pension liability	13,444,185
OPEB obligation	561,385
Total Adjustments	10,880,508
Net Cash Flows From Operating Activities	$ (122,071,875)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 8,031,139
Cash in county treasury	87,489,130
Total Cash and Cash Equivalents	$ 95,520,269
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 2,571,560

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

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Trust Funds
ASSETS	
Cash and cash equivalents	$ 1,449,341
Accounts receivable, net	96,425
Due from District	1,265,056
Total Assets	2,810,822
LIABILITIES	
Accounts payable	65,478
Due to District	73,490
Unearned revenue	35,591
Total Liabilities	174,559
NET POSITION	
Unreserved	2,636,263
Total Net Position	$ 2,636,263

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

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Trust Funds
ADDITIONS	
Local revenues	$ 3,584,960
DEDUCTIONS	
Books and supplies	990,091
Services and operating expenditures	573,535
Capital outlay	144,494
Total Deductions	1,708,120
OTHER FINANCING SOURCES (USES)	
Transfers in	102,117
Transfers out	(131,448)
Other uses	(2,001,986)
Total Other Financing Sources (Uses)	(2,031,317)
Change in Net Position	(154,477)
Net Position - Beginning	2,790,740
Net Position - Ending	$ 2,636,263

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

NOTE 1 - ORGANIZATION

Santa Barbara Community College District (the District) was established in 1964 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected six-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and two campuses/centers located within Santa Barbara County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the District.

The District has analyzed the financial and accountability relationship with the Foundation for Santa Barbara City College (the Foundation) in conjunction with the GASB Statement No. 61 criteria. The Foundation is a separate, not for profit organization, and the District does provide and receive direct benefits to and from the Foundation. However, it has been determined that all criteria under GASB Statement No. 61 have not been met to require inclusion of the Foundation's financial statements in the District's annual report. Information on the Foundation may be requested through the Foundation for the Santa Barbara City College office.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the Campus Store and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2016 and 2015, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $1,995,753 for the year ended June 30, 2016.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of Campus Store merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the lower of cost or market or first-in, first-out (FIFO) method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: 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.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Bond Refunding

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items. The District reports deferred outflows of resources for the unamortized deferred charges on the refunding of general obligation bonds and pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

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 California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds and loans payable, compensated absences, and OPEB obligations with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Barbara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed a General Obligation Bond in 2008 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to CalSTRS and CalPERS on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District for the year ended June 30, 2016, was $2,571,560 for CalSTRS and $0 for CalPERS. These amounts are reflected in the District's audited financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the 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 objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement, effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of GASB Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of GASB Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the 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 (GAAP). The "GAAP hierarchy" 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 non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the District is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in Santa Barbara County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with the Santa Barbara County Treasurer (County Pool) (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the County Pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in LAIF is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments of the District as of June 30, 2016, consist of the following:

Primary Government	$ 95,520,269
Fiduciary Funds	1,449,341
Total Deposits and Investments	$ 96,969,610
Cash on hand and in banks	$ 9,371,584
Cash in revolving	42,731
Investments	87,555,295
Total Deposits and Investments	$ 96,969,610

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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. The District manages its exposure to interest rate risk by investing in the County Pool and LAIF.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Carrying Value	Fair Value	Maturity Date*
County Pool	$ 87,529,277	$ 87,769,028	419
LAIF	26,018	26,018	167
Total	$ 87,555,295	$ 87,795,046	

* Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2016.

Custodial Credit Risk - Deposits

This 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 policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of $9,141,065 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 **-** Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 **-** Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 **-** Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized **-** Investments in the Santa Barbara County Treasury Investment Pool and Local Agency Investment Funds are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value	Uncategorized
County Pool	$ 87,769,028	$ 87,769,028
LAIF	26,018	26,018
Total	$ 87,795,046	$ 87,795,046

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government
Federal Government	
Categorical aid	$ 441,518
State Government	
Apportionment	272,258
Categorical aid	2,841,416
Lottery	1,893,652
Other State sources	974,641
Local Sources	
Interest	97,784
Other local sources	1,662,676
Total	$ 8,183,945
Student receivables	$ 4,729,844
Less allowance for bad debt	(1,995,753)
Student receivables, net	$ 2,734,091

	Fiduciary Funds
Local Sources	
Other local sources	$ 96,425

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2016, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 5,336,616	$ -	$ -	$ 5,336,616
Construction in progress	4,323,389	6,615,982	825,706	10,113,665
Total Capital Assets Not Being Depreciated	9,660,005	6,615,982	825,706	15,450,281
Capital Assets Being Depreciated				
Buildings	182,152,101	2,251,431	-	184,403,532
Leasehold improvements	657,403	-	-	657,403
Equipment	12,183,064	1,219,356	16,420	13,386,000
Total Capital Assets Being Depreciated	194,992,568	3,470,787	16,420	198,446,935
Total Capital Assets	204,652,573	10,086,769	842,126	213,897,216
Less Accumulated Depreciation				
Buildings	52,123,211	4,879,210	-	57,002,421
Leasehold improvements	443,745	32,870	-	476,615
Equipment	10,375,894	637,434	16,420	10,996,908
Total Accumulated Depreciation	62,942,850	5,549,514	16,420	68,475,944
Net Capital Assets	$ 141,709,723	$ 4,537,255	$ 825,706	$ 145,421,272

Depreciation expense for the year was $5,549,514.

Interest expense on capital related debt for the year ended June 30, 2016, was $2,533,532. Of this amount, $203,759 was capitalized.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Accrued payroll	$ 6,557,220
Construction payables	1,241,052
Other vendor payables	4,453,192
Total	$ 12,251,464

	Fiduciary Funds
Other vendor payables	$ 65,478

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	$ 11,605
State categorical aid	2,747,631
Other State sources	623,711
Enrollment fees	7,739,564
SBCC Foundation	294,337
Other local	204,794
Total	$ 11,621,642

	Fiduciary Funds
Other local	$ 35,591

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the District and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2016, the amounts owed between the District and the fiduciary funds were $73,490 and $1,265,056, respectively.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the District and the fiduciary funds are not eliminated in the consolidation process. During the 2016 fiscal year, the amount transferred to the District from the fiduciary fund amounted to $131,448. The amount transferred to the fiduciary funds from the District amounted to $102,117.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2016 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Adjustments/ Deductions	Balance End of Year	Due in One Year
Bonds and Loans Payable					
General obligation bonds, 2008 Series A	$ 43,895,000	$ -	$ 41,155,000	$ 2,740,000	$ 735,000
General obligation bonds, 2008 Series B	13,705,000	-	1,260,000	12,445,000	495,000
General obligation bonds, 2008 Series C	-	15,240,000	-	15,240,000	-
General obligation bonds, 2016 Refunding Bonds	-	36,275,000	-	36,275,000	195,000
Unamortized bond premium	1,626,075	10,369,741	429,674	11,566,142	-
Loans payable	2,267,885	-	278,420	1,989,465	301,643
Total Bonds and Loans Payable	61,493,960	61,884,741	43,123,094	80,255,607	1,726,643
Other Liabilities					
Compensated absences	2,226,865	-	233,915	1,992,950	1,513,957
Teacher load units	1,464,483	50,994	-	1,515,477	221,147
Refundable advances	1,208,729	-	1,208,729	-	-
Other postemployment benefits (OPEB)	2,388,509	678,846	117,461	2,949,894	-
Aggregate net pension obligation	70,056,149	13,444,185	-	83,500,334	-
Total Other Liabilities	77,344,735	14,174,025	1,560,105	89,958,655	1,735,104
Total Long-Term Obligations	$ 138,838,695	$ 76,058,766	$ 44,683,199	$ 170,214,262	$ 3,461,747

Description of Debt

Payments on the notes payable are paid by the Construction Fund. Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The accrued compensated absences and teacher load units will be paid by the fund for which the employee worked. OPEB payments are paid by the General Fund.

General obligation bonds were approved by a local election in June 2008. The total amount approved by the voters was $77,242,012. At June 30, 2016, $77,240,000 had been issued, and $66,700,000 was outstanding. Interest rates on the bonds are 1.25 to 5.75 percent.

Bonded Debt

2008 General Obligation Bonds, Series A

During November 2008, the District issued the 2008 General Obligation Bonds, Series 2008A in the amount of $47,000,000. The bonds mature beginning on August 1, 2015 through August 1, 2018, with interest yields ranging from 3.50 to 5.75 percent. At June 30, 2016, the principal outstanding was $2,740,000 and unamortized premium cost of $355,412. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used for the purposes of financing the costs of renovating, acquiring, construction, repairing, and equipping District buildings and to pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes. Interest with respect of the bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2009.

2008 General Obligation Bonds, Series B

During April 2013, the District issued the 2008 General Obligation Bonds, Series 2008B in the amount of $15,000,000. The bonds mature beginning on August 1, 2009 through August 1, 2038, with interest yields ranging from 1.25 to 5.00 percent. At June 30, 2016, the principal outstanding was $12,445,000 and unamortized premium cost of $1,122,023. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used for the purposes of financing the costs of renovating, acquiring, construction, repairing, and equipping District buildings and to pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes. Interest with respect of the bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2014.

2008 General Obligation Bonds, Series C

During January 2016, the District issued the 2008 General Obligation Bonds, Series 2008C in the amount of $15,240,000. The bonds mature beginning on August 1, 2017 through August 1, 2038, with interest yields ranging from 3.15 to 5.00 percent. At June 30, 2016, the principal outstanding was $15,240,000 and unamortized premium cost of $1,674,508. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used for the purposes of financing the costs of renovating, acquiring, construction, repairing, and equipping District buildings and to pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes. Interest with respect of the bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2016.

2016 General Obligation Refunding Bonds

During January 2016, the District issued the 2016 General Obligation Refunding Bonds in the amount of $36,275,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of $7,145,343 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.197 percent.

The bonds have a final maturity to occur on August 1, 2033, with interest rates from 3.00 to 5.00 percent. The net proceeds of $44,935,468 (representing the principal amount of $36,275,000 plus premium on issuance of $8,660,468) from the issuance were used to advance refund a portion of the District's outstanding 2008 General Obligation Bonds, Series 2008A and pay the costs associated with the issuance of the refunding bonds. At June 30, 2016, the principal balance outstanding was $36,275,000. Unamortized premium received on issuance of the bonds amounted to $8,414,199 as of June 30, 2016. The issuance resulted in the recognition of deferred charges on refunding of $4,112,037, with a remaining unamortized balance of $3,995,107 as of June 30, 2016.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Issued	Redeemed	Bonds Outstanding June 30, 2016
11/18/2008	8/1/2018	3.50%-5.75%	$47,000,000	$ 43,895,000	$ -	$ 41,155,000	$ 2,740,000
4/18/2013	8/1/2038	1.25%-5.00%	15,000,000	13,705,000	-	1,260,000	12,445,000
1/12/2016	8/1/2040	3.15%-5.00%	15,240,000	-	15,240,000	-	15,240,000
1/12/2016	8/1/2033	3.00%-5.00%	36,275,000	-	36,275,000	-	36,275,000
				$ 57,600,000	$ 51,515,000	$ 42,415,000	$ 66,700,000

Debt Maturity

The General Obligation Bonds, Series 2008A mature through 2019 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 735,000	$ 133,188	$ 868,188
2018	925,000	87,537	1,012,537
2019	1,080,000	31,050	1,111,050
Total	$ 2,740,000	$ 251,775	$ 2,991,775

The General Obligation Bonds, Series 2008B mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	395,000	436,400	831,400
2022-2026	2,230,000	1,926,500	4,156,500
2027-2031	2,685,000	1,466,975	4,151,975
2032-2036	3,210,000	935,225	4,145,225
2037-2039	2,290,000	175,500	2,465,500
Total	$ 12,445,000	$ 6,796,088	$ 19,241,088

The General Obligation Bonds, Series 2008C mature through 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ -	$ 642,550	$ 642,550
2018	3,040,000	587,150	3,627,150
2019	585,000	514,650	1,099,650
2020	450,000	493,950	943,950
2021	-	484,950	484,950
2022-2026	-	2,424,750	2,424,750
2027-2031	-	2,424,750	2,424,750
2032-2036	2,435,000	2,305,875	4,740,875
2037-2041	8,730,000	959,200	9,689,200
Total	$ 15,240,000	$ 10,837,825	$ 26,077,825

The 2016 Refunding General Obligation Bonds mature through 2034 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 195,000	$ 1,728,575	$ 1,923,575
2018	-	1,740,200	1,740,200
2019	-	1,740,200	1,740,200
2020	1,070,000	1,718,800	2,788,800
2021	1,265,000	1,665,775	2,930,775
2022-2026	9,215,000	7,172,625	16,387,625
2027-2031	14,105,000	4,269,625	18,374,625
2032-2034	10,425,000	708,375	11,133,375
Total	$ 36,275,000	$ 20,744,175	$ 57,019,175

Loans 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 (the Commission), in order to finance energy efficiency projects. The principal and interest at 3.95 percent 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, 2016, the outstanding principal balance on the loan payable was $1,303,024.

At June 30, 2016, future minimum payments were as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	172,376	26,083	198,459
2022-2024	528,861	37,520	566,381
Total	$ 1,303,024	$ 229,201	$ 1,532,225

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 percent per annum on the unpaid principal is due and payable in semiannual installments beginning on December 22, 2013. At June 30, 2016, the outstanding principal balance on the loan payable was $490,879.

At June 30, 2016, future minimum payments were as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 87,248	$ 4,692	$ 91,940
2018	88,123	3,817	91,940
2019	89,006	2,934	91,940
2020	89,893	2,046	91,939
2021	90,799	1,140	91,939
2022	45,810	231	46,041
Total	$ 490,879	$ 14,860	$ 505,739

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, 2016, the outstanding principal balance on the loan payable was $195,562.

At June 30, 2016, future minimum payments were as follows:

Fiscal Year	Principal
2017	$ 72,637
2018	67,050
2019	55,875
Total	$ 195,562

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2016, was $696,299, and contributions made by the District during the year were $117,461. Interest on the net OPEB obligation and adjustments to the annual required contribution were $107,483 and $(124,936), respectively, which resulted in an increase to the net OPEB obligation of $561,385. As of June 30, 2016, the net OPEB obligation was $2,949,894. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Compensated Absences

At June 30, 2016, the liability for compensated absences was $1,992,950.

Teacher Load Units

At June 30, 2016, the liability for teacher load units was $1,515,477.

Aggregate Net Pension Obligation

At June 30, 2016, the liability for the aggregate net pension obligation amounted to $83,500,334. See Note 12 for additional information.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The Early Retiree Health Benefit Plan (the Plan) is a single-employer defined benefit health care plan administered by the District. The Plan provides medical insurance benefits to eligible retirees. Membership of the Plan consists of 31 retirees currently receiving benefits.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2015-2016, the District contributed $117,461 to the Plan, all of which was used for current premiums. Monthly District contributions range from $520 to $575, with a maximum of $5,755 for the 2015-2016 year.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments 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 accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 696,299
Interest on net OPEB obligation	107,483
Adjustment to annual required contribution	(124,936)
Annual OPEB cost (expense)	678,846
Contributions made	(117,461)
Increase in net OPEB obligation	561,385
Net OPEB obligation, beginning of the year	2,388,509
Net OPEB obligation, end of the year	$ 2,949,894

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	$ 478,187	$ 154,084	32%	$ 2,045,701
2015	476,745	133,937	28%	2,388,509
2016	678,846	117,461	17%	2,949,894

Funding Status and Funding Progress

The funded status of the OPEB Plan as of July 1, 2016, is as follows:

Actuarial Accrued Liability (AAL)	$	5,005,306
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)	$	5,005,306
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0%
Covered Payroll		46,150,996
UAAL as Percentage of Covered Payroll		10.85%

The above noted actuarial accrued liability was based on the July 1, 2016, actuarial valuation. Actuarial valuation of an ongoing plan involves 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 health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 of benefit costs between the employer and the 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 values of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), based on the long-term return on employer assets based on the historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. Healthcare cost trend rate of four percent was used in determining the balance of the obligation. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2016, was 24 years.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2016, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan		Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS		$ 54,372,346	$ 10,858,874	$ 9,624,836	$ 4,653,859
CalPERS		29,127,988	9,961,647	8,443,186	2,688,490
	Total	$ 83,500,334	$ 20,820,521	$ 18,068,022	$ 7,342,349

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above, and the District's total contributions were $4,125,566.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 54,372,346
State's proportionate share of net pension liability associated with the District	28,756,977
Total	$ 83,129,323

The net pension liability was measured as of June 30, 2015. 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 plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.0808 percent and 0.0798 percent, respectively, resulting in a net increase in the proportionate share of 0.0010 percent.

For the year ended June 30, 2016, the District recognized pension expense of $4,653,859. In addition, the District recognized pension expense and revenue of $2,227,551 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,125,566	$ -
Net change in proportionate share of net pension liability	2,449,277	-
Deferred outflows (inflows) of resources related to pensions	4,284,031	8,716,261
Differences between expected and actual experience in the measurement of the total pension liability	-	908,575
Total	$ 10,858,874	$ 9,624,836

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (1,834,412)
2018	(1,834,412)
2019	(1,834,412)
2020	1,071,006
Total	$ (4,432,230)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 256,784
2018	256,784
2019	256,784
2020	256,784
2021	256,784
Thereafter	256,782
Total	$ 1,540,702

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for 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 percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (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 following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 82,098,010
Current discount rate (7.60%)	54,372,346
1% increase (8.60%)	31,330,081

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

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 service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

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 July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. 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. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above, and the total District contributions were $2,770,186.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $29,127,988. The net pension liability was measured as of June 30, 2015. 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 plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.1976 percent and 0.2053 percent, respectively, resulting in a net decrease in the proportionate share of 0.0077 percent.

For the year ended June 30, 2016, the District recognized pension expense of $2,688,490. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,770,186	$ -
Net change in proportionate share of net pension liability	742,792	872,152
Deferred outflows (inflows) of resources related to pensions	4,783,962	5,781,329
Differences between expected and actual experience in the measurement of the total pension liability	1,664,707	-
Changes of assumptions	-	1,789,705
Total	$ 9,961,647	$ 8,443,186

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (731,119)
2018	(731,119)
2019	(731,119)
2020	1,195,990
Total	$ (997,367)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 27,551
2018	27,551
2019	(309,460)
Total	$ (254,358)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 ten 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.65%)	$ 47,408,227
Current discount rate (7.65%)	29,127,988
1% increase (8.65%)	13,926,748

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2016, which amounted to $2,571,560 (7.12589 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2016, 2015, and 2014. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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.

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 No. 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.

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 No. 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.

The relationship between the District and SELF is such that 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 No. 61.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2017	$ 137,490
2018	137,490
2019	78,690
2020	28,848
Total	$ 382,518

Lease payments for the current year were $166,462.

Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Spent to Date	Remaining Construction Commitment	Expected Date of Completion
West Campus Classroom Building	$ 6,421,953	$ 12,904,968	FY 17/18
Campus Center Replacement	2,374,423	21,960	TBD
Gymnasium Bleacher Replacement	48,377	267,103	FY 16/17
IDC Chilled Water System	50,301	66,360	FY 16/17
Schott Classroom Access Improvement	10,488	19,463	FY 16/17
Bookstore Remodel	501,446	2,679,302	FY 16/17
	$ 9,406,988	$ 15,959,156	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
August 1, 2010	$ -	$ 3,890,970	$ 3,890,970	$ -	$ 45,009,948	8.6%
August 1, 2012	-	3,967,021	3,967,021	-	43,980,343	9.0%
September 1, 2014	-	3,891,111	3,891,111	-	45,718,051	8.5%
July 1, 2016	-	5,005,306	5,005,306	-	49,150,996	10.2%

See accompanying note to required supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.0808%	0.0798%
District's proportionate share of the net pension liability	$ 54,372,346	$ 46,749,600
State's proportionate share of the net pension liability associated with the District	28,756,977	28,161,175
Total	$ 83,129,323	$ 74,910,775
District's covered - employee payroll	$ 37,716,059	$ 35,546,073
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	144.16%	131.52%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.1976%	0.2053%
District's proportionate share of the net pension liability	$ 29,127,988	$ 23,306,549
District's covered - employee payroll	$ 21,321,410	$ 21,497,297
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	136.61%	108.42%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 4,215,566	$ 3,349,186
Contributions in relation to the contractually required contribution	(4,215,566)	(3,349,186)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 39,287,661	$ 37,716,059
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	$ 2,770,186	$ 2,509,530
Contributions in relation to the contractually required contribution	(2,770,186)	(2,509,530)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 23,377,097	$ 21,321,410
Contributions as a percentage of covered - employee payroll	11.85%	11.77%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2016

Santa Barbara Community College District was established in 1964. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Ms. Marsha S. Croninger	President	2018
Mr. Craig Nielsen	Vice-President	2016
Mr. Jonathan Abboud	Member	2018
Ms. Marty Blum	Member	2018
Ms. Veronica Gallardo	Member	2016
Dr. Peter O. Haslund	Member	2018
Dr. Marianne Kugler	Member	2016

ADMINISTRATION

Dr. Lori Gaskin*	Superintendent/President
Dr. Jack Friedlander	Executive Vice-President
Dr. Paul Jarrell	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

* Retired as of June 30, 2016

See accompanying note to supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		$ 16,461,576	$ -
Federal Pell Administrative Allowance	84.063		23,900	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		269,160	-
Federal Work-Study Program	84.033		376,610	-
Federal Direct Loan	84.268		12,691,736	-
Total Student Financial Assistance Cluster			29,822,982	-
HIGHER EDUCATION ACT				
Title V - Express to Success	84.031S		240,736	-
Title V - iPath to Success	84.031S		230,017	43,013
STEM Science Transfer Program	84.031C		776,630	-
Passed through from California State University Channel Islands				
Achieving a Cooperative College Education Through Opportunities	84.031C	1011.0051.03	83,377	-
ADULT EDUCATION AND FAMILY LITERACY ACT (AEFLA)				
Passed through from California Department of Education				
Adult Education and Family Literacy Act (AEFLA)	84.002A	13971	258,201	-
CAREER AND TECHNICAL EDUCATION (CTE) ACT				
Passed through from California Community Colleges Chancellor's Office (CCCCO)				
CTE - CTE Transitions	84.048A	15-C01-053	45,119	-
Title I, Part C	84.048	15-C01-053	459,368	-
Perkins Title I, Part B Regional Consortium	84.048	15-150-005	220,000	-
Total U.S. Department of Education			32,136,430	43,013
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through from California Community Colleges Chancellor's Office (CCCCO)				
Temporary Assistance to Needy Families (TANF)	93.558	[1]	35,123	-
Foster and Kinship Care	93.658	[1]	52,817	-
Total U.S. Department of Health and Human Services			87,940	-
U.S. DEPARTMENT OF AGRICULTURE				
Passed through from California Department of Education (CDE)				
Child and Adult Care Food Program	10.558	CSPP-5506	18,931	-
Total Federal Program Expenditures			$ 32,243,301	$ 43,013
Student Financial Aid Loan Programs				
Loans Outstanding				
Santa Barbara Community College District had the following loan balance outstanding as of June 30, 2016:				
Perkins Program			$ 10,112	$ -

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues				
Program	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
GENERAL FUND					
AB 86 Adult Ed Consortium Planning	$ 43,599	$ -	$ -	$ 43,599	$ 43,599
Adult Basic ED ESL Grant	297,493	-	89,067	208,426	208,426
AEBG Adult Education Block Grant	750,000	-	607,355	142,645	142,645
Allan Hancock DSN - Deputy Sector	-	15,000	-	15,000	15,000
BFAP Board Financial Assistance	568,700	-	-	568,700	568,700
CAL GRANT	1,274,655	-	-	1,274,655	1,280,435
Cal Grant B - FT Student Success	492,118	-	-	492,118	391,500
Cal Works	151,810	-	-	151,810	151,810
CARE	111,978	-	-	111,978	111,978
Child Development Program	80,039	-	-	80,039	80,039
Child Development Training	4,750	-	-	4,750	4,750
Credit Student Success (even year)	688,027	-	-	688,027	688,027
Credit Student Success (odd year)	2,456,378	-	1,058,227	1,398,151	1,398,151
CSEC Foster and Kinship Care Program	-	3,750	-	3,750	3,750
CTE Enhancement Fund	2,581,557	-	213,362	2,368,195	2,368,195
Disabled Students Programs	1,349,729	-	-	1,349,729	1,349,729
DSN - Global Trade and Augmentation	40,000	-	39,005	995	995
DSN - Global Trade and Logistics	80,000	120,000	-	200,000	200,000
DSN - Global Trade and Logistics	-	103,334	-	103,334	103,334
DSN Global Trade - In Region	40,000	60,000	-	100,000	100,000
Enrollment Growth ADN Programs	176,904	15,383	-	192,287	192,287
Extended Opportunity Program and Services	1,252,563	-	-	1,252,563	1,252,563
Financial Aid Media Campaign (even year)	-	2,468,712	-	2,468,712	2,468,712
Financial Aid Media Campaign (odd year)	616,552	-	-	616,552	616,552
Foster Parent Grant (55%)	34,630	39,542	-	74,172	74,172
Kern CCD - Prop 39 Clean Energy	453	4,314	-	4,767	4,768
MESA Program (even year)	12,344	11,381	-	23,725	12,344
MESA Program (odd year)	30,300	-	-	30,300	41,681
Non-Credit SSSP	381,684	-	36,600	345,084	345,084
Staff Diversity (even year)	2,117	-	-	2,117	2,117
Staff Diversity (odd year)	7,138	-	1,679	5,459	5,459
Student Success Equity Program (even year)	631,358	-	-	631,358	631,358
Student Success Equity Program (odd year)	1,349,137	-	702,336	646,801	646,801
Total State Program Expenditures	$ 15,506,013	$ 2,841,416	$ 2,747,631	$ 15,599,798	$ 15,504,961

See accompanying note to supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2016

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	37	-	37
2. Credit	802	-	802
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit	-	-	-
2. Credit	630	-	630
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,631	-	7,631
(b) Daily Census Contact Hours	257	-	257
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	498	-	498
(b) Credit	1,067	-	1,067
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	2,070	-	2,070
(b) Daily Census Contact Hours	218	-	218
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	13,210	-	13,210
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	462	-	462
2. Credit	1,040	-	1,040

See accompanying note to supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 19,133,479	$ -	$ 19,133,479	$ 19,474,615	$ -	$ 19,474,615
Other	1300	17,205,821	-	17,205,821	17,351,757	-	17,351,757
Total Instructional Salaries		36,339,300	-	36,339,300	36,826,372	-	36,826,372
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,854,551	-	4,854,551
Other	1400	-	-	-	1,256,144	-	1,256,144
Total Noninstructional Salaries		-	-	-	6,110,695	-	6,110,695
Total Academic Salaries		36,339,300	-	36,339,300	42,937,067	-	42,937,067
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	15,800,010	-	15,800,010
Other	2300	-	-	-	1,214,052	-	1,214,052
Total Noninstructional Salaries		-	-	-	17,014,062	-	17,014,062
Instructional Aides							
Regular Status	2200	2,066,651	-	2,066,651	2,099,225	-	2,099,225
Other	2400	1,543,134	-	1,543,134	1,603,205	-	1,603,205
Total Instructional Aides		3,609,785	-	3,609,785	3,702,430	-	3,702,430
Total Classified Salaries		3,609,785	-	3,609,785	20,716,492	-	20,716,492
Employee Benefits	3000	9,585,103	-	9,585,103	16,989,034	-	16,989,034
Supplies and Material	4000	-	-	-	2,028,636	-	2,028,636
Other Operating Expenses	5000	-	-	-	9,337,161	-	9,337,161
Equipment Replacement	6420	-	-	-	43,592	-	43,592
Total Expenditures Prior to Exclusions		49,534,188	-	49,534,188	92,051,982	-	92,051,982

See accompanying note to supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 53,560	$ -	$ 53,560	$ 53,560	$ -	$ 53,560
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	103,377	-	103,377
Objects to Exclude							
Rents and Leases	5060	-	-	-	275,987	-	275,987
Lottery Expenditures							-
Academic Salaries	1000	1,221,138	-	1,221,138	1,949,882	-	1,949,882
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	329,707	-	329,707	526,468	-	526,468
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	78,425	-	78,425
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	98,236	-	98,236
Equipment - Replacement	6420	-	-	-	47,977	-	47,977
Total Equipment		-	-	-	146,213	-	224,638
Total Capital Outlay					224,638		
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		1,604,405	-	1,604,405	3,133,912	-	3,133,912
Total for ECS 84362, 50 Percent Law		$ 47,929,783	$ -	$ 47,929,783	$ 88,918,070	$ -	$ 88,918,070
Percent of CEE (Instructional Salary Cost/Total CEE)		53.90%		53.90%	100.00%		100.00%
50% of Current Expense of Education					$ 44,459,035		$ 44,459,035

See accompanying note to supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2016

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 11,352,338
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 11,352,338			$ 11,352,338
					-
Total Expenditures for EPA		$ 11,352,338	-	-	$ 11,352,338
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds:		
General Fund - Unrestricted	$ 28,995,517	
General Fund - Restricted	1,914,514	
Debt Service Funds:		
Bond Interest and Redemption	7,875,307	
Special Revenue Funds:		
Food Services	237,145	
Child Development	31,974	
Capital Project Funds:		
Equipment and Construction	23,099,371	
Bond Construction	12,961,357	
Enterprise Funds:		
Campus Store	6,910,802	
Internal Service Funds:		
Self Insurance	446,060	
Other Internal Service	59,186	
Fiduciary Funds:		
Associated Student Body	20,571	
Student Representation Fee Trust	125,867	
Student Financial Aid	159,274	
Scholarship and Loan Trust	224,799	
Other Trust	2,202,356	
Student Clubs	62,670	
Total Fund Balance - All District Funds		**$ 85,326,770**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	213,897,216	
Accumulated depreciation is	(68,475,944)	
Less fixed assets already recorded in the enterprise funds	(1,991,151)	143,430,121
Amounts held in trust on behalf of others (Trust Funds)		(2,636,263)
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(1,244,999)
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		6,895,752
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(5,429,597)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		756,132

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2016

The changes of assumptions are not recognized as an expenditure under the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		$ (1,789,705)
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.		2,319,917
Governmental funds report deferred cost of refunding associated with the issuance of debt when first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		3,995,107
Long-term liabilities at year end consist of:		
Bonds payable	$ 78,266,142	
Compensated absences	1,992,950	
Notes payable	1,989,465	
Teacher load units	1,515,477	
Other postemployment benefits	2,949,894	
Aggregate pension liability	83,500,334	
Less loans payable and accrued interest already recorded in the funds	(1,990,766)	(168,223,496)
Total Net Position		**$ 63,399,739**

See accompanying note to supplementary information.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Student Financial Assistance Cluster funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Net Position:		$ 32,073,401
Federal Pell Grant Program	84.063	128,783
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	1,859
Federal Direct Loan	84.268	39,258
Total Expenditures of Federal Awards		$ 32,243,301

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Santa Barbara Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 opinions 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be 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.

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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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 2, 2016

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Santa Barbara Community College District's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2016. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, 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 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, that we consider to be significant deficiencies.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 2, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited Santa Barbara Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider 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.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2016,

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In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

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 429	Student Success and Support Program (SSSP)
Section 430	Schedule 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 Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District did not participate in the Intersession Extension Program; therefore, the compliance tests within this section were not applicable.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 2, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	Yes

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 962,058
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

The following finding represents significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2016-001 SPECIAL TESTS AND PROVISIONS - RETURN TO TITLE IV

Federal Program Affected

Program Name: Student Financial Assistance Cluster
CFDA Numbers: 84.007, 84.033, 84.063, and 84.268
Direct funded by U.S. Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirement

Uniform Guidance Compliance Supplement, 34 CFR Section 668.173(b):

Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

Condition

Significant Deficiency - The District's portion of the Return to Title IV funds was not returned within the 45 day requirement.

Questioned Costs

No questioned costs. The District did return the funds; however, they were not returned within the 45 day requirement.

Context

There were 18 students out of 40 tested where the District's portion of the Return to Title IV funds was not returned within the 45 day requirement.

Effect

Without proper monitoring of Title IV returns, the District risks noncompliance with the above referenced criteria.

Cause

The District had not implemented policies and procedures to monitor the Return to Title IV funds.

Management's Response and Corrective Action Plan

During Fall of 2015, the financial aid office experienced delays in processing Return to Title IV (R2T4) calculations within the required timeframe due in large part to processing complications the office experienced during the Summer of 2015.

Summer of 2015 was the first time Santa Barbara City College implemented two Summer sessions. When this decision was made, the financial aid office sought direction from a consultant at Strata Information Group (SIG) to determine what set-up options were available in Banner for two Summer sessions.

Based on consultant recommendations, a decision was made to set-up Summer as two terms within one payment period. The main considerations were as follows:

1. Satisfactory Academic Progress (SAP) review would not be required between Summer I and Summer II. Instead, it could be run once after the conclusion of Summer II.
2. Attempted units between the two terms would be combined when determining enrollment status. For example, if a student was enrolled in 6 units during Summer I and 6 units during Summer II, we could consider them to be a full-time student, which is 12 or more units.

During Summer I, when the financial aid office ran their report to identify withdrawn students, SFRNOWD, it was determined that SFRNOWD could only be run by using terms, not periods. The financial aid office contacted Ellucian, who confirmed that the set-up resulted in Summer students being paid in "modules", not terms, and Ellucian does not currently have a process to perform R2T4 calculations for modules.

After consulting with other colleagues who use Banner, the financial aid office determined that the only option for processing R2T4 for modules was through the Department of Education software on the Central Processing System (CPS). This was a new process for the office and a particularly manual one. Additionally, the office had no way of identifying students who were considered to be withdrawn, so the office had to work with the Information Technology Department to develop reports for this new process. Set-up was also needed for CPS, which took some time. In addition, the financial aid office experienced a sudden change in leadership during this time, which resulted in the appointment of an interim director who had very limited experience working in financial aid.

All of these factors contributed to Summer processing taking up to 10 times longer to complete. Unfortunately, the processing delays in Summer carried over to Fall of 2015 processing. Although a fair number of the withdrawal calculations were processed after the required timeframe, and Title IV funds were returned after the required 45 days, all necessary calculations were in fact completed, and the financial aid office was caught up in processing by the end of the term. As a result, unofficial withdrawal calculations for Fall of 2016 were completed in a timely manner, and Title IV funds were returned within the allotted timeframe. Similarly, during Spring of 2016, withdrawal calculations were performed within the required timeframe.

Although Santa Barbara City College once again offered two Summer sessions in 2016, the financial aid office elected to set-up the sessions as two distinct terms, which allowed for the use of R2T4 functionality in Banner. As a result, Summer of 2016 R2T4 processing was performed within the required timeframe, and Title IV funds were returned on time.

Fall of 2015 proved to be an anomaly for the financial aid office. The delays in processing for the term were based on multiple factors, including having to learn how to process withdrawals for modules in Summer of 2015 and a change in leadership during the same period. Summer sessions are no longer offered in modules, so the financial aid office will no longer experience delays in processing calculations during the two sessions, as was displayed in the Summer of 2016 R2T4 calculations. Lastly, the financial aid office now has a permanent director with vast financial aid experience, which should help in ensuring that the office remains compliant.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Awards Finding

2015-001 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.

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.

Cause and Effect

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

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).

Current Status

Implemented.