



Excellence for All

**SANTA BARBARA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Santa Barbara Unified School District
Santa Barbara, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Barbara Unified School District (the District) as of and for the year ended June 30, 2013, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, issued by the California Education Audit Appeals Panel as regulations. 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Barbara Unified School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, 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 that the required supplementary information, such as management's discussion and analysis on pages 5 through 14 and budgetary comparison information and other postemployment benefit information on pages 61 and 62 and page 63, respectively, 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 Santa Barbara Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are 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 16, 2013, on our consideration of the Santa Barbara Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Barbara Unified School District's internal control over financial reporting and compliance.

VADRINSKY, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 16, 2013



Santa Barbara Unified School District

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This section of Santa Barbara Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Santa Barbara Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

The District completed its 2012-2013 fiscal year with an operating surplus of 4.6 million mainly due to the dissolution of the Redevelopment Agency (RDA). This event increased the District's property taxes by 12.4 million dollars, which changed our revenue limit status to basic aid. The RDA funds were one-time in nature and therefore the District will not receive 6.9 million in 2013-2014 property taxes. Due to this event the District is obligated to pay its fair share to the State of California in the amount of 7.9 million (6.9 million RDA; 1 million regular property taxes). The State will reduce our funding out of the District's entitlement of the new Local Control Funding Formula. Since the funds have been allocated to the school sites the District will backfill using 2012-2013 ending fund balance.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$105.7 million for the fiscal year ended June 30, 2013. Of this amount, \$18.9 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

		Governmental Activities	
		2013	2012
Assets			
Current and other assets		\$ 52,689,855	\$ 66,117,617
Capital assets		202,482,435	187,541,196
Total Assets		255,172,290	253,658,813
Liabilities			
Current liabilities		4,117,752	6,199,104
Long-term obligations		145,317,430	145,848,283
Total Liabilities		149,435,182	152,047,387
Net Position			
Net investment in capital assets		76,909,322	79,926,656
Restricted		9,900,422	11,317,802
Unrestricted		18,927,364	10,366,968
Total Net Position		\$ 105,737,108	\$ 101,611,426

The \$18.9 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 2,359,898	\$ 2,094,254
Operating grants and contributions	21,591,611	24,439,586
Capital grants and contributions	3,926	2,741,158
General revenues:		
Federal and State aid not restricted	10,420,526	10,241,128
Property taxes	107,712,187	95,906,756
Other general revenues	9,713,432	8,237,096
Total Revenues	151,801,580	143,659,978
Expenses		
Instruction-related	94,764,399	97,840,269
Student support services	16,484,821	16,189,341
Administration	8,233,549	6,710,706
Plant services	14,095,363	13,532,695
Other	14,097,766	13,295,537
Total Expenses	147,675,898	147,568,548
Change in Net Position	\$ 4,125,682	\$ (3,908,570)

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$147.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$107.7 million because the cost was paid by those who benefited from the programs (\$2.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$21.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$20.1 million in Federal and State funds, and with other revenues, like interest and general entitlements.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

In Table 3, we have presented the cost and net cost of each of the District's largest governmental activity functions: instruction, instruction-related activities, home-to-school transportation, food services, other pupil services, general administration, maintenance and operations, ancillary services, community services, interest on long-term obligations and all other functional expenditures. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 77,388,833	\$ 81,997,052	\$ 68,849,506	\$ 68,558,961
Instruction-related activities	17,375,566	15,843,217	15,282,203	13,541,140
Home-to-school transportation	2,302,305	2,280,629	1,321,598	1,256,553
Food services	6,332,096	6,593,219	961,122	1,489,556
Other pupil services	7,850,420	7,315,493	6,609,471	6,373,248
General administration	8,233,549	6,710,706	7,363,399	5,943,484
Maintenance and operations	14,095,363	13,532,695	13,921,677	13,212,480
Ancillary services	1,554,542	1,555,785	1,483,674	1,472,911
Community services	5,249,185	5,385,424	1,850,960	1,518,575
Interest on long-term obligations	6,985,126	5,660,958	6,985,126	5,660,958
Other	308,913	693,370	(908,273)	(734,316)
Total	\$ 147,675,898	\$ 147,568,548	\$ 123,720,463	\$ 118,293,550

SANTA BARBARA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$43.8 million, which is a decrease of \$11.5 million from last year (Table 4).

Table 4

	Fund Balance			
	July 1, 2012	Revenues	Expenditures	June 30, 2013
General Fund	\$ 8,968,615	\$ 130,981,930	\$ 121,832,431	\$ 18,118,114
Charter School Fund	234,824	1,979,948	2,073,620	141,152
Building Fund	35,153,193	267,556	19,229,570	16,191,179
Bond Interest and Redemption Fund	6,094,926	7,946,286	7,372,871	6,668,341
Child Development Fund	364,914	3,950,387	4,109,863	205,438
Cafeteria Fund	47,900	6,227,198	6,001,957	273,141
Capital Facilities Fund	1,791,183	853,308	613,997	2,030,494
County School Facilities Fund	2,276,523	169,285	2,419,560	26,248
Special Reserve Fund For Capital Outlay Projects	343,055	104,622	291,884	155,793
Total	\$ 55,275,133	\$ 152,480,520	\$ 163,945,753	\$ 43,809,900

The primary reasons for these increases/decreases are:

- Our General Fund is our principal operating fund. The fund balance in the General Fund increased 4.6 million. This increase is due to the close monitoring of the budget throughout the year and the promise to the board that the District will eliminate the structural deficit. Our special revenue funds increased from the prior year in the amount of 4.33 million due to the release of one-time cash from the RDA. The District's General Fund end balance was \$16,037,817 which is ample amount to cover the reduction of State funding for the basic aid fair share of 7.9 million.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 12, 2013. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 61.)

The main variance in revenue between the District's Adopted Budget and the unaudited actuals is the fact that the District only budgets 90 percent of State and Federal revenues due to the fact that the State and Federal budgets are passed after the District's budgets are approved. Therefore, for the first interim the District increases its revenues to reflect the actual grant amounts and any carryover from the previous year. At that time the District will also adjust the expenditures.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$202.5 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$14.9 million, or 8.0 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2013	2012
Land and construction in process	\$ 11,227,756	\$ 21,282,415
Buildings and improvements	184,642,296	164,428,076
Furniture and equipment	6,612,383	1,830,705
Total	\$ 202,482,435	\$ 187,541,196

This year's additions of \$14,941,239 included several bond projects for the Elementary and Secondary districts, vehicles, cafeteria equipment and wireless internet District-wide. Several of our large projects were completed in 2012-2013, including San Marcos health wing and the Santa Barbara kitchen.

Several capital projects are planned for the 2013-2014 year. We anticipate capital additions to be \$12,026,299 million for the 2013-2014 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$145.3 million in long-term obligations outstanding versus \$145.8 million last year, a decrease of 0.4 percent. Those consisted of:

Table 6

	Governmental Activities	
	2013	2012
General obligation bonds - net (Financed with property taxes)	\$ 142,400,011	\$ 143,260,894
Capitalized lease obligations	281,566	133,561
Compensated absences	1,322,019	1,011,670
Career Technical Education Facilities Loan	1,313,834	1,442,158
Total	\$ 145,317,430	\$ 145,848,283

The District's general obligation bond rating continues to be "AA-." The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$142.4 million is significantly below this \$629,644,155 statutorily-imposed limit.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Other obligations include compensated absences payable, postemployment benefits (not including health benefits) and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2012-2013 ARE NOTED BELOW:

The District spent \$32.4 million on modernization project which include following: multiple sites had playground repairs; asphalt and drainage; Harding kitchen; several sites had HVAC replacements; Santa Barbara High kitchen; San Marcos health wing; wireless.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2013-2014 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Revenue limit sources income has increased due to the passing of Proposition 30 November of 2012 and the increase in ADA since the Adopted Budget. The increase is also due to the release of RDA funds and 2011-2012 deferrals.
2. At First Interim the District assumed that the five furloughs would be restored due to Proposition 30 passing, however, since the District had not met with the unions and the board had not approved the restoration of the days at the time of the First Interim, the District accounted for them in the multi-year projects. As of December 7, 2012 the District has restored seven furloughs to all units and is waiting board approval. The restoration of the furloughs will have an impact on the ending fund balance however the District will meet its three percent reserve.
3. Interest earnings will remain the same percent due to the averaging of the past four quarters of interest rates.
4. Developer fee collections are based on approximate new housing units to be constructed.
5. Federal income will increase by 17 percent due to the increased population of qualified students and the normal reduction of Federal funding at Adopted Budget. This is historically done due to the uncertainty of the Federal budget.
6. State income will decrease by 2.9 percent due to the increase cost of Special Education regional program cost going from 40 to 60 percent pay-as-you-go. SELPA decreases the funding to cover the regional programs.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Expenditures are based on the following forecasts:

As mentioned prior in this MD&A, the District has met with its unions and in June 2013, the District offered an off schedule bonus of two percent for all employees. This was funded with one-time RDA funds.

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through three*	25:1	2,515
Grades four through six	33:1	2,013
Grades seven through eight	30:1	3,123
Grades nine through twelve	36:1	6,553

The District has used the K-3 class size reduction flexibility.

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 Meg Jetté, Assistant Superintendent, Business Services, at Santa Barbara Unified School District, 720 Santa Barbara Street, Santa Barbara, California, or e-mail at mjette@sbsdk12.org.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2013

	Governmental Activities
ASSETS	
Deposits and investments	\$ 37,453,603
Receivables	9,133,663
Prepaid expenses	77,652
Stores inventories	111,419
Deferred cost on issuance	2,014,473
Deferred charges on refunding	2,231,119
Net OPEB assets	1,667,926
Capital assets	
Land and construction in process	11,227,756
Other capital assets	261,843,615
Less: Accumulated depreciation	(70,588,936)
Total Capital Assets	202,482,435
Total Assets	255,172,290
LIABILITIES	
Accounts payable	2,349,612
Interest payable	1,615,518
Deferred revenue	152,622
Long-term obligations	
Current portion of long-term obligations	3,970,386
Noncurrent portion of long-term obligations	141,347,044
Total Long-Term Obligations	145,317,430
Total Liabilities	149,435,182
NET POSITION	
Net investment in capital assets	76,909,322
Restricted for:	
Debt service	5,052,823
Capital projects	2,056,742
Educational programs	1,911,102
Other activities	879,755
Unrestricted	18,927,364
Total Net Position	\$ 105,737,108

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 77,388,833	\$ 276,436	\$ 8,258,965	\$ 3,926	\$ (68,849,506)
Instruction-related activities:					
Supervision of instruction	7,004,699	5,659	1,809,146	-	(5,189,894)
Instructional library, media, and technology	1,441,727	1,410	3,178	-	(1,437,139)
School site administration	8,929,140	1,410	272,560	-	(8,655,170)
Pupil services:					
Home-to-school transportation	2,302,305	177,535	803,172	-	(1,321,598)
Food services	6,332,096	1,207,897	4,163,077	-	(961,122)
All other pupil services	7,850,420	2,882	1,238,067	-	(6,609,471)
Administration:					
Data processing	1,626,564	478	316,153	-	(1,309,933)
All other administration	6,606,985	23,307	530,212	-	(6,053,466)
Plant services	14,095,363	37,361	136,325	-	(13,921,677)
Facility acquisition and construction	150,536	-	-	-	(150,536)
Ancillary services	1,554,542	21,777	49,091	-	(1,483,674)
Community services	5,249,185	234,570	3,163,655	-	(1,850,960)
Interest on long-term obligations	6,985,126	-	-	-	(6,985,126)
Other outgo	158,377	369,176	848,010	-	1,058,809
Total Governmental Activities	\$ 147,675,898	\$ 2,359,898	\$ 21,591,611	\$ 3,926	(123,720,463)
General revenues and subventions:					
Property taxes, levied for general purposes					97,851,023
Property taxes, levied for debt service					7,866,188
Taxes levied for other specific purposes					1,994,976
Federal and State aid not restricted to specific purposes					10,420,526
Interest and investment earnings					79,420
Miscellaneous					9,634,012
Subtotal, General Revenues					127,846,145
Change in Net Position					4,125,682
Net Position - Beginning					101,611,426
Net Position - Ending					\$ 105,737,108

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	General Fund	Charter School Fund	Building Fund
ASSETS			
Deposits and investments	\$ 10,089,709	\$ 373,698	\$ 17,361,995
Receivables	8,122,767	112,930	18,645
Due from other funds	869,446	94,270	4,755
Prepaid expenditures	72,088	-	-
Stores inventories	60,746	-	-
Total Assets	\$ 19,214,756	\$ 580,898	\$ 17,385,395
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 883,155	\$ 5,276	\$ 1,194,216
Due to other funds	107,015	434,470	-
Deferred revenue	106,472	-	-
Total Liabilities	1,096,642	439,746	1,194,216
Fund Balances:			
Nonspendable	132,834	-	-
Restricted	1,911,102	20,168	16,191,179
Committed	-	120,984	-
Assigned	4,362,418	-	-
Unassigned	11,711,760	-	-
Total Fund Balances	18,118,114	141,152	16,191,179
Total Liabilities and Fund Balances	\$ 19,214,756	\$ 580,898	\$ 17,385,395

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 6,649,697	\$ 2,400,842	\$ 36,875,941
18,644	860,314	9,133,300
-	17,281	985,752
-	5,564	77,652
-	50,673	111,419
<u>\$ 6,668,341</u>	<u>\$ 3,334,674</u>	<u>\$ 47,184,064</u>
\$ -	\$ 153,143	\$ 2,235,790
-	444,267	985,752
-	46,150	152,622
<u>-</u>	<u>643,560</u>	<u>3,374,164</u>
-	56,237	189,071
6,668,341	2,452,126	27,242,916
-	-	120,984
-	182,751	4,545,169
-	-	11,711,760
<u>6,668,341</u>	<u>2,691,114</u>	<u>43,809,900</u>
<u>\$ 6,668,341</u>	<u>\$ 3,334,674</u>	<u>\$ 47,184,064</u>

SANTA BARBARA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2013

Total Fund Balance - Governmental Funds		\$ 43,809,900
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
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:	\$ 273,071,371	
Accumulated depreciation is:	<u>(70,588,936)</u>	
Net Capital Assets		202,482,435
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		
Deferred cost on issuance		2,014,473
The District has refunded debt obligations. The difference between the amounts that were sent to escrow agents for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents the unamortized deferred charges on refunding remaining as of June 30, 2013.		2,231,119
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,615,518)
An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net assets are:		464,203
Expenditures relating to postemployment benefits were recognized on the modified accrual basis, but contributions made in excess of the annual required contribution (ARC) should be recorded as an asset in the government-wide financial statements.		1,667,926
Long-term obligations at year-end consist of:		
General obligation bonds	132,448,658	
Unamortized premium on general obligation bonds	4,664,610	
Capital lease obligations	281,566	
Compensated absences	1,322,019	
Career Technical Education Facilities Loan	1,313,834	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	<u>5,286,743</u>	
Total Long-Term Obligations		(145,317,430)
Total Net Position - Governmental Activities		<u>\$ 105,737,108</u>

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Charter School Fund	Building Fund
REVENUES			
Revenue limit sources	\$ 95,166,537	\$ 1,579,891	\$ -
Federal sources	7,627,111	-	-
Other State sources	18,971,881	283,515	-
Other local sources	8,880,187	91,993	256,480
Total Revenues	130,645,716	1,955,399	256,480
EXPENDITURES			
Current			
Instruction	70,448,110	1,264,785	-
Instruction-related activities:			
Supervision of instruction	6,997,091	-	-
Instructional library, media and technology	1,442,218	-	-
School site administration	8,690,732	243,362	-
Pupil services:			
Home-to-school transportation	2,302,305	-	-
Food services	1,757	-	-
All other pupil services	7,496,807	-	-
General administration:			
Data processing	1,475,934	-	-
All other general administration	5,747,088	434,470	-
Plant services	13,503,470	46,656	-
Facility acquisition and construction	158,011	-	19,224,737
Ancillary services	1,554,685	-	-
Community services	1,474,186	84,347	-
Other outgo	25,565	-	-
Debt service			
Principal	68,601	-	4,439
Interest and other	165,222	-	394
Total Expenditures	121,551,782	2,073,620	19,229,570
Excess (Deficiency) of Revenues Over Expenditures	9,093,934	(118,221)	(18,973,090)
Other Financing Sources (Uses):			
Transfers in	100,000	24,549	-
Other sources	236,214	-	11,076
Transfers out	(280,649)	-	-
Net Financing Sources (Uses)	55,565	24,549	11,076
NET CHANGE IN FUND BALANCES	9,149,499	(93,672)	(18,962,014)
Fund Balances - Beginning	8,968,615	234,824	35,153,193
Fund Balances - Ending	\$ 18,118,114	\$ 141,152	\$ 16,191,179

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 96,746,428
-	5,184,047	12,811,158
37,489	2,631,020	21,923,905
7,908,797	3,213,136	20,350,593
7,946,286	11,028,203	151,832,084
-	-	71,712,895
-	10,845	7,007,936
-	-	1,442,218
-	-	8,934,094
-	-	2,302,305
-	5,945,459	5,947,216
-	-	7,496,807
-	-	1,475,934
-	191,543	6,373,101
-	142,346	13,692,472
-	3,135,428	22,518,176
-	-	1,554,685
-	3,692,499	5,251,032
-	-	25,565
3,840,000	175,066	4,088,106
3,532,871	44,075	3,742,562
7,372,871	13,337,261	163,565,104
573,415	(2,309,058)	(11,733,020)
-	256,100	380,649
-	20,497	267,787
-	(100,000)	(380,649)
-	176,597	267,787
573,415	(2,132,461)	(11,465,233)
6,094,926	4,823,575	55,275,133
\$ 6,668,341	\$ 2,691,114	\$ 43,809,900

SANTA BARBARA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds **\$ (11,465,233)**

**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	\$ 22,370,538	
Depreciation expense	<u>(7,397,246)</u>	
Net Expense Adjustment		14,973,292

Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds. (32,053)

Some of the future capital projects this year were financed with a facilities loan. The amount financed by the loan is reported in the governmental funds as a source of state revenue. On the other hand, the loan is not revenue in the Statement of Activities, but rather constitute a long-term obligation in the Statement of Net Position. 128,324

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: 513,533

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used was less than the amounts earned by \$310,349. (310,349)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position. (267,787)

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2013

Governmental funds report the effect of premiums and issuance costs on an issuance and refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:

Premium on issuance	\$ 238,746	
Cost of issuance	(100,303)	
Deferred charges on refunding	<u>(5,593)</u>	
Combined Adjustment		\$ 132,850

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	3,840,000
Capital lease obligations	119,782

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by \$290,363, and second, \$3,217,863 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(3,508,226)

An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

Change in Net Position of Governmental Activities

	1,549
\$	<u><u>4,125,682</u></u>

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2013

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 577,662
Receivables	363
Total Current Assets	<u>578,025</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>113,822</u>
NET POSITION	
Restricted	<u>464,203</u>
Total Net Position	<u><u>\$ 464,203</u></u>

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Fund
NONOPERATING REVENUES	
Interest income	\$ 1,549
Change in Net Position	1,549
Total Net Position - Beginning	462,654
Total Net Position - Ending	\$ 464,203

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 459,905
Other operating cash payments	(26,000)
Net Cash Provided by Operating Activities	<u>433,905</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,549</u>
Net Increase in Cash and Cash Equivalents	435,454
Cash and Cash Equivalents - Beginning	142,208
Cash and Cash Equivalents - Ending	<u><u>\$ 577,662</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Changes in assets and liabilities:	
Receivables	\$ (95)
Due from other fund	460,000
Accounts payable	(26,000)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ 433,905</u></u>

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Agency Funds
ASSETS	
Deposits and investments	\$ 13,144,297
Stores inventories	24,240
Total Assets	\$ 13,168,537
LIABILITIES	
Accounts payable	\$ 24,066
Due to student groups	1,151,236
Due to employees	11,993,235
Total Liabilities	\$ 13,168,537

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Santa Barbara Unified School District (the District) was unified July 1, 2011, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates ten elementary, four junior high schools, three high schools, one continuation school, two charter schools, and two alternative schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Santa Barbara Unified School District, this includes general operations, food service, and student related activities of the District.

Other Related Entities

Charter School The District has approved Charters for Santa Barbara Elementary Charter School and Santa Barbara Middle Charter School pursuant to *Education Code* Section 47605. The Charter Schools are operated by the District, and its financial activities are presented in the Charter School Special Revenue Fund.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 14, Deferred Maintenance Fund, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

As the District has not taken formal action to commit the flexed revenues formerly restricted to this program to the continued operation of the original programs, the revenues within this fund would be considered to be available for general educational purposes, resulting in Fund 14, Deferred Maintenance Fund being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets and fund balance, and a decrease in revenues and expenditures of \$4,366,478, \$4,362,418, \$438,023, and \$3,898,508, respectively.

Charter School Fund This fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operated a self-insurance program for workers' compensation in previous reporting periods. The run-off claims for the program along with health benefits and property and liability activity are accounted for in the Internal Service Fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB), deferred payroll, payroll related benefits, and volunteer payroll withholdings of District employees.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred 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 deferred revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Investments

Investments held at June 30, 2013, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the fiduciary funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 5 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. 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, 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. Credit for unused sick leave is applicable to all certificated 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.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs and Premiums

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Fund Balances - Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District had no related debt outstanding as of June 30, 2013. Net position is reported as restricted when there are limitations imposed on their use either through the 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 net position is available. The government-wide financial statements report \$9,900,422 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental columns of the Statement of Activities.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for administration of the workers' compensation, property and liability, and health and welfare programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

Budgetary Data

The budgetary process is prescribed by provisions of the *California Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. 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.

Changes in Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 37,453,603
Fiduciary funds	13,144,297
Total Deposits and Investments	<u>\$ 50,597,900</u>

Deposits and investments as of June 30, 2013, consisted of the following:

Cash on hand and in banks	\$ 776,225
Cash in revolving	10,000
Investments	49,811,675
Total Deposits and Investments	<u>\$ 50,597,900</u>

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 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 their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting 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.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

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 manages its exposure to interest rate risk by investing in the Santa Barbara County Investment Pool. The pool purchases shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Amortized Cost	Fair Value	Average Maturity in Days
Santa Barbara County Investment Pool	\$ 49,811,675	\$ 49,607,258	584

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 investment in the Santa Barbara County Investment Pool is not required to be rated, nor has been rated as of June 30, 2013.

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 for deposits. 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, 2013, the District's bank balance of \$905,000 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.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Charter School Fund	Building Fund	Bond Interest and Redemption Fund
Federal Government				
Categorical aid	\$ 1,947,883	\$ -	\$ -	\$ -
State Government				
Apportionment	81,510	-	-	-
Categorical aid	2,220,585	91,286	-	-
Lottery	1,046,197	21,354	-	-
Local Government				
Interest	24,637	-	15,820	4,683
Due from Charter Schools	1,162,139	-	-	-
Other Local Sources	1,639,816	290	2,825	13,961
Total	<u>\$ 8,122,767</u>	<u>\$ 112,930</u>	<u>\$ 18,645</u>	<u>\$ 18,644</u>
	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	
Federal Government				
Categorical aid	\$ 654,329	\$ -	\$ 2,602,212	
State Government				
Apportionment	-	-	81,510	
Categorical aid	112,916	-	2,424,787	
Lottery	-	-	1,067,551	
Local Government				
Interest	2,059	363	47,562	
Due from Charter Schools	-	-	1,162,139	
Other Local Sources	91,010	-	1,747,902	
Total	<u>\$ 860,314</u>	<u>\$ 363</u>	<u>\$ 9,133,663</u>	

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 1,537,176	\$ -	\$ -	\$ 1,537,176
Construction in process	19,745,239	17,092,790	27,147,449	9,690,580
Total Capital Assets Not Being Depreciated	21,282,415	17,092,790	27,147,449	11,227,756
Capital Assets Being Depreciated				
Land improvements	4,401,669	4,250,205	-	8,651,874
Buildings and improvements	218,788,908	22,897,244	-	241,686,152
Furniture and equipment	6,282,790	5,277,748	54,949	11,505,589
Total Capital Assets Being Depreciated	229,473,367	32,425,197	54,949	261,843,615
Less Accumulated Depreciation				
Land improvements	1,977,821	223,458	-	2,201,279
Buildings and improvements	56,784,680	6,709,771	-	63,494,451
Furniture and equipment	4,452,085	464,017	22,896	4,893,206
Total Accumulated Depreciation	63,214,586	7,397,246	22,896	70,588,936
Governmental Activities Capital Assets, Net	<u>\$ 187,541,196</u>	<u>\$ 42,120,741</u>	<u>\$ 27,179,502</u>	<u>\$ 202,482,435</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 5,917,797
Food services	369,862
All other pupil services	369,862
Data processing	221,918
All other general administration	147,945
Plant services	369,862
Total Depreciation Expenses Governmental Activities	<u>\$ 7,397,246</u>

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2013, between major funds and non-major governmental funds are as follows:

Due From	Due To			Total
	General Fund	Charter School Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 434,470	\$ 434,976	\$ 869,446
Charter School Fund	94,270	-	-	94,270
Building Fund	4,755	-	-	4,755
Non-Major Governmental Funds	7,990	-	9,291	17,281
Total	<u>\$ 107,015</u>	<u>\$ 434,470</u>	<u>\$ 444,267</u>	<u>\$ 985,752</u>

The balance of \$94,270 due to the Charter School Fund from the General Fund resulted from in lieu of property taxes.

The balance of \$434,470 is due to the General Fund from the Charter School Fund for operating and indirect costs.

A balance of \$234,478 is due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted for payroll and indirect costs.

A balance of \$100,000 is due to the General Fund from the Child Development Non-Major Governmental Fund for a temporary loan.

Remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Operating Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfer To	Transfer From		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 100,000	\$ 100,000
Charter School Fund	24,549	-	24,549
Non-Major Governmental Funds	256,100	-	256,100
Total	<u>\$ 280,649</u>	<u>\$ 100,000</u>	<u>\$ 380,649</u>

The General Fund transferred to the Charter School Fund for the portion of parcel tax monies.	\$ 24,549
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for Meals for Needy allocation.	256,100
The Cafeteria Non-Major Governmental Fund transferred to the General Fund for reimbursement of payroll and benefit related costs.	100,000
Total	<u>\$ 380,649</u>

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Charter School Fund	Building Fund
State apportionment	\$ -	\$ 5,276	\$ -
Salaries and benefits	426,216	-	-
Supplies	30,893	-	-
Services	426,046	-	-
Construction	-	-	1,194,216
Other	-	-	-
Total	<u>\$ 883,155</u>	<u>\$ 5,276</u>	<u>\$ 1,194,216</u>

	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
State apportionment	\$ -	\$ -	\$ 5,276
Salaries and benefits	26,255	113,822	566,293
Supplies	2,205	-	33,098
Services	49,988	-	476,034
Construction	4,695	-	1,198,911
Other	70,000	-	70,000
Total	<u>\$ 153,143</u>	<u>\$ 113,822</u>	<u>\$ 2,349,612</u>

	Fiduciary Funds
State apportionment	\$ -
Salaries and benefits	-
Supplies	24,066
Services	-
Construction	-
Other	-
Total	<u>\$ 24,066</u>

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2013, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 51,834	\$ -	\$ 51,834
State categorical aid	54,638	46,150	100,788
Total	<u>\$ 106,472</u>	<u>\$ 46,150</u>	<u>\$ 152,622</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 1, 2012, the District issued \$14,000,000 of Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 28, 2013. By May 2013, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds	\$ 138,357,538	\$ 3,217,863	\$ 3,840,000	\$ 137,735,401	\$ 3,745,000
Premium on issuance	4,903,356	-	238,746	4,664,610	-
Capital leases	133,561	267,787	119,782	281,566	93,767
Accumulated vacation - net	1,011,670	310,349	-	1,322,019	-
Career Technical Education Facilities Loan	1,442,158	-	128,324	1,313,834	131,619
	<u>\$ 145,848,283</u>	<u>\$ 3,795,999</u>	<u>\$ 4,326,852</u>	<u>\$ 145,317,430</u>	<u>\$ 3,970,386</u>

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for capital leases are paid by the General, Building, Child Development Fund, and Cafeteria Funds. The accrued vacation will be paid by the fund for which the employee worked. Payments for the Career Technical Education Facilities Loan are made from the County School Facilities Fund.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

2000 General Obligation Bonds, Series B

In August 2004, the District issued the 2000 Election Series B Bonds in the amount of \$21,000,000. Proceeds from the bonds were used for the purpose of financing the addition and modernization of school facilities. Interest rates vary from 2.00 to 5.00 percent, and the bonds have a final maturity to occur August 1, 2029.

On June 5, 2012, the District issued the 2012 General Obligation Refunding Bonds, Series A, in the amount of \$16,160,000, to advance refund \$16,150,000 of the 2000 General Obligation Bonds, Series B. As a result, the refunded portion of the debt obligation has been removed as a long-term obligation from the government-wide Statement of Net Position. As of June 30, 2013, the principal balance outstanding was \$675,000.

1998 General Obligation Bonds, Series B

In October 2004, the District issued the 1998 Election Series B Bonds in the amount of \$10,000,000. Proceeds from the bonds were used for the purpose of financing the addition and modernization of school facilities. Interest rates vary from 3.00 to 5.00 percent, and the bonds have a final maturity to occur August 1, 2029.

On June 14, 2012, the District issued the 2012 General Obligation Refunding Bonds, Series B, in the amount of \$11,745,000, to advance refund \$7,995,000 of the 1998 General Obligation Bonds, Series B. As a result, the refunded portion of the debt obligation has been removed as a long-term obligation from the government-wide Statement of Net Position. As of June 30, 2013, the principal balance outstanding was \$325,000.

2004 General Obligation Refunding Bonds, Series A

In November 2004, the District issued the 2004 Election Series A Refunding Bonds in the amount of \$5,435,000. Proceeds from the bonds were used for the purpose of refunding in full the District's 1995 Series A and 1995 Series B Bonds. Interest rates vary from 3.00 to 5.00 percent, and the bonds have a final maturity to occur August 1, 2026.

On June 14, 2012, the District issued the 2012 General Obligation Refunding Bonds, Series B, in the amount of \$11,745,000, to advance refund \$3,665,000 of the 2004 General Obligation Refunding Bonds, Series A. As a result, the refunded portion of the debt obligation has been removed as a long-term obligation from the government-wide Statement of Net Position. As of June 30, 2013, the principal balance outstanding was \$220,000.

2000 General Obligation Bonds, Series C

In September 2005, the District issued the 2000 Election Series C Bonds in the amount of \$21,000,000. Proceeds from the bonds were used for the purpose of financing the addition and modernization of school facilities. Interest rates vary from 3.00 to 4.75 percent, and have a final maturing to occur August 1, 2030. At June 30, 2013, the principal balance outstanding was \$17,150,000.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

2007 General Obligation Refunding Bonds, Series A

In July 2007, the District issued the 2007 Series A Refunding Bonds in the amount of \$13,265,000. Proceeds from the bonds were used for the purpose of refunding in full the District's 1998 Series A Bonds. Interest rates vary from 4.00 percent to 5.00 percent, and the bonds have a final maturity to occur August 1, 2024. At June 30, 2013, the principal balance outstanding was \$11,015,000.

2007 General Obligation Refunding Bonds, Series B

In July 2007, the District issued the 2007 Series B Refunding Bonds in the amount of \$23,650,000. Proceeds from the bonds were used for the purpose of refunding in full the District's 2000 Series A Bonds. Interest rates vary from 4.00 to 5.00 percent, and the bonds have a final maturity to occur August 1, 2028. At June 30, 2013, the principal balance outstanding was \$20,735,000.

2010 General Obligation Bonds, Series A

On May 4, 2011, the District issued the 2010 Series A General Obligation Bonds in the amount of \$14,998,229. The bonds were issued as capital appreciation and convertible capital appreciation bonds, which convert to current interest bonds, with the value of the capital appreciation bonds accreting \$43,467,727 and maturing to an aggregate principal debt service balance of \$58,465,956. The bonds mature August 1, 2041, with interest yields of 5.81 to 7.39 percent. Proceeds from the bonds will be used for the purpose of acquiring, constructing, repairing, renovating, and improving school facilities and to pay issuance costs. At June 30, 2013, the principal balance outstanding was \$16,887,941.

2010 General Obligation Bonds, Series A (Secondary)

On May 4, 2011, the District issued the 2010 Series A General Obligation Bonds in the amount of \$15,798,211. The bonds were issued as capital appreciation bonds with the value of the capital appreciation bonds accreting \$79,533,191 and maturing to an aggregate principal debt service balance of \$95,331,402. The bonds mature August 1, 2041, with interest yields of 6.77 to 10.20 percent. Proceeds from the bonds will be used for the purpose of acquiring, constructing, repairing, renovating, and improving school facilities and to pay issuance costs. At June 30, 2013, the principal balance outstanding was \$17,874,399.

2010 General Obligation Bonds, Series B

In May 2011, the District issued the 2010 Election Series B Bonds in the amount of \$9,200,000. Proceeds from the bonds were used for the purpose of acquiring, constructing, repairing, renovating, and improving school facilities. Interest rates vary from 5.17 to 5.72 percent, and the bonds have a final maturity to occur August 1, 2025. The bonds are designated as "qualified school construction bonds". The District will be eligible to receive direct payment by the Federal government of the Federal subsidy payments. At June 30, 2013, the outstanding balance was \$9,200,000.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

2010 General Obligation Bonds, Series C

On June 5, 2012, the District issued the 2010 Series C General Obligation Bonds in the amount of \$14,997,218 to finance the acquisition, construction, repair and equipping of high school District facilities and to pay issuance costs. The bonds have a final maturity to occur on August 1, 2045, with interest yields varying from 2.54 to 12.00 percent. At June 30, 2013, the principal balance outstanding was \$16,318,061.

2012 General Obligation Refunding Bonds, Series A

On June 5, 2012, the District issued the \$16,160,000 2012 General Obligation Refunding Bonds, Series A. The bonds have a final maturity that occurs August 1, 2045, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$17,456,830 from the issuance (issuance of \$16,160,000 net of premium received of \$1,524,209 and costs incurred on issuance of \$227,379) were used to advance refund a portion of the District's outstanding 2000 General Obligation Bonds, Series B. 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. Deferred charges on refunding of \$1,300,230 remain to be amortized using the straight-line method. At June 30, 2013, the principal balance outstanding on the 2012 General Obligation Refunding Bonds, Series A was \$15,840,000.

2012 General Obligation Refunding Bonds, Series B

On June 14, 2012, the District issued the \$11,745,000 2012 General Obligation Refunding Bonds, Series B. The bonds have a final maturity that occurs August 1, 2029, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$12,555,475 from the issuance (issuance of \$11,745,000 net of premium received of \$1,021,592 and costs incurred on issuance of \$211,117) were used to advance refund a portion of the District's outstanding 1998 General Obligation Bonds, Series B and 2004 General Obligation Refunding Bonds, Series A. 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. Deferred charges on refunding of \$930,889 remain to be amortized using the straight-line method. At June 30, 2013, the principal balance outstanding on the 2012 General Obligation Refunding Bonds, Series B was \$11,495,000.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

General Obligations Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Accreted	Redeemed	Bonds Outstanding June 30, 2013
8/5/04	8/1/29	2.00-5.00%	\$ 21,000,000	\$ 1,325,000	\$ -	\$ 650,000	\$ 675,000
10/20/04	8/1/29	3.00-5.00%	10,000,000	640,000	-	315,000	325,000
11/9/04	8/1/26	3.00-5.00%	5,435,000	430,000	-	210,000	220,000
9/28/05	8/1/30	3.00-4.75%	21,000,000	17,770,000	-	620,000	17,150,000
7/18/07	8/1/24	4.00-5.00%	13,265,000	11,620,000	-	605,000	11,015,000
7/18/07	8/1/28	4.00-5.00%	23,650,000	21,605,000	-	870,000	20,735,000
5/4/11	8/1/41	5.81-7.39%	14,998,229	15,750,947	1,136,994	-	16,887,941
5/4/11	8/1/41	6.77-10.20%	15,798,211	16,623,871	1,250,528	-	17,874,399
5/4/11	8/1/25	5.17-5.72%	9,200,000	9,200,000	-	-	9,200,000
6/5/12	8/1/45	2.54-12.00%	14,997,218	15,487,720	830,341	-	16,318,061
6/5/12	8/1/45	2.00-5.00%	16,160,000	16,160,000	-	320,000	15,840,000
6/14/12	8/1/29	2.00-5.00%	11,745,000	11,745,000	-	250,000	11,495,000
				<u>\$ 138,357,538</u>	<u>\$ 3,217,863</u>	<u>\$ 3,840,000</u>	<u>\$ 137,735,401</u>

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
2014	\$ 3,745,000	\$ -	\$ 3,804,668	\$ 7,549,668
2015	3,910,000	-	3,663,368	7,573,368
2016	3,790,000	-	3,522,365	7,312,365
2017	3,997,363	12,637	3,364,649	7,374,649
2018	4,298,131	41,869	3,191,412	7,531,412
2019-2023	28,460,655	194,345	12,700,139	41,355,139
2024-2028	32,436,027	3,113,973	12,462,650	48,012,650
2029-2033	19,425,500	22,583,995	13,154,300	55,163,795
2034-2038	17,794,330	43,282,227	8,246,150	69,322,707
2039-2043	10,020,003	59,872,257	5,464,800	75,357,060
2044-2046	9,858,392	10,381,608	1,712,340	21,952,340
Total	<u>\$ 137,735,401</u>	<u>\$ 139,482,911</u>	<u>\$ 71,286,841</u>	<u>\$ 348,505,153</u>

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Capital Lease

The District has entered into an agreement to lease equipment. Such an agreement is, in substance, a purchase (capital lease) and is reported as a capital lease obligation. The District's liability on lease agreement with the option to purchase is summarized below:

Balance, July 1, 2012	\$ 147,882
Additions	297,536
Payments	132,549
Balance, June 30, 2013	<u>\$ 312,869</u>

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payments
2014	\$ 108,795
2015	108,795
2016	59,501
2017	35,778
Total	<u>312,869</u>
Less: Amount Representing Interest	31,303
Present Value of Minimum Lease Payments	<u>\$ 281,566</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$1,322,019.

Career Technical Education Facilities Loan

During 2011-2012 fiscal year, the District entered into an agreement with the State Allocation Board for a loan of \$1,442,158 for the purpose of financing a portion of the project costs of the Multimedia Arts and Design Academy Relocation Project at Santa Barbara High School. The loan has a final maturity of July 1, 2021, with an interest rate of 2.568 percent. At June 30, 2013, the principal balance outstanding was \$1,313,834.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 131,619	\$ 33,739	\$ 165,358
2015	134,999	30,359	165,358
2016	138,466	26,892	165,358
2017	142,022	23,337	165,359
2018	145,669	19,690	165,359
2019-2022	621,059	40,377	661,436
Total	<u>\$ 1,313,834</u>	<u>\$ 174,394</u>	<u>\$ 1,488,228</u>

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Charter School Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Stores inventories	\$ 60,746	\$ -	\$ -	\$ -	\$ 50,673	\$ 111,419
Prepaid expenditures	72,088	-	-	-	5,564	77,652
Total Nonspendable	<u>132,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,237</u>	<u>189,071</u>
Restricted						
Legally restricted programs	1,911,402	20,168	-	-	395,384	2,326,954
Capital projects	-	-	16,191,179	-	2,056,742	18,247,921
Debt services	-	-	-	6,668,341	-	6,668,341
Total Restricted	<u>1,911,402</u>	<u>20,168</u>	<u>16,191,179</u>	<u>6,668,341</u>	<u>2,452,126</u>	<u>27,243,216</u>
Committed						
Other	-	120,984	-	-	-	120,984
Total Committed	<u>-</u>	<u>120,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,984</u>
Assigned						
Deferred maintenance program	176	-	-	-	-	176
Special reserve fund for other than capital outlay projects	4,362,242	-	-	-	-	4,362,242
Capital projects	-	-	-	-	155,793	155,793
Other	-	-	-	-	26,958	26,958
Total Assigned	<u>4,362,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,751</u>	<u>4,545,169</u>
Unassigned						
Remaining unassigned	11,711,760	-	-	-	-	11,711,760
Total Unassigned	<u>11,711,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,711,760</u>
Total	<u>\$18,118,414</u>	<u>\$ 141,152</u>	<u>\$ 16,191,179</u>	<u>\$ 6,668,341</u>	<u>\$ 2,691,114</u>	<u>\$ 43,810,200</u>

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Santa Barbara Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 463 retirees and beneficiaries currently receiving benefits, and 1,285 active Plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Santa Barbara Teachers' Association (SBTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-2013, the District contributed \$1,486,602 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Asset

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 parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) 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 asset to the Plan:

Annual required contribution	\$ 964,000
Interest on net OPEB asset	(34,631)
Adjustment to annual required contribution	43,700
Annual OPEB cost (expense)	<u>973,069</u>
Contributions made	<u>(1,486,602)</u>
Increase in net OPEB asset	(513,533)
Net OPEB asset, beginning of year	<u>(1,154,393)</u>
Net OPEB asset, end of year	<u><u>\$ (1,667,926)</u></u>

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Asset
2011	\$ 927,000	\$ 1,517,460	164%	\$ (560,178)
2012	913,870	1,508,085	165%	(1,154,393)
2013	973,069	1,486,602	153%	(1,667,926)

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ -	\$ 16,695,000	\$ 16,695,000	0%	\$ 82,895,672	20%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions 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 funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear 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 plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

In the July 1, 2011, actuarial valuation, the entry age normal cost method was used. Currently, the District does not set aside assets in an irrevocable employee benefit trust. The assumptions include a three percent discount rate based on employer assets that are not restricted for other purposes and are expected to be used to finance benefit payments. Healthcare cost trend rates reflected an ultimate rate of five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2013, was 26 years.

NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2013, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures		
	Budget	Actual	Excess
Charter School Fund	<u>\$ 1,976,729</u>	<u>\$ 2,073,620</u>	<u>\$ 96,891</u>

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the fiscal year ending June 30, 2013, the District participated in the Self-Insured Schools of California II (SISC II) public entity risk pool for property and liability insurance coverage. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2013, the District participated in the Self-Insured Schools of California I (SISC I) public entity risk pool. The intent of SISC I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SISC I. The workers' compensation experience of the participating districts is calculated and applied to a common premium rate. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The District has contracted with the Self-Insured Schools of California III (SISC III) to provide employee health benefits. SISC III is a shared risk pool comprised of local educational agencies. Rates are set through an annual process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating members.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$4,876,315, \$5,035,449, and \$5,127,428, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$2,715,970, \$2,492,550, and \$2,124,605, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,604,395 (5.176 percent of annual payroll). 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. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2013.

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, 2013.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Operating Leases

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. These leases, therefore, have not been accounted for as capital leases.

The following is a schedule, by years, for future minimum rental payments required under operating leases that have remaining non-cancelable lease terms in excess of one year, as of June 30, 2013.

Year Ending June 30,	Lease Payment
2014	\$ 177,248
2015	163,549
2016	68,914
2017	33,871
Total	<u>\$ 443,582</u>

Rental expenditures for the year ended June 30, 2013 amounted to \$265,949.

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Cleveland Elementary School Playground Asphalt Replacement	\$ 15,258	12/31/12
San Marcos High School Classroom Additions	17,454	12/31/12
Dos Pueblos High School Elings Performing Arts	6,573	09/30/13
Washington Elementary School Portable Classroom HVAC	12,062	09/30/13
Santa Barbara Jr. High School Science Modernization	16,493	09/30/13
San Marcos High School Gym Arch Repair	26,294	09/30/13
Santa Barbara High School Roof Repair	64,131	09/30/13
Santa Barbara High School Mad Academy	98,494	09/30/13
San Marcos High School Electrical Infrastructure	289,801	09/30/13
Adelante VOIP Phone System	923	12/31/13
Cleveland Elementary School VOIP Phone System	1,100	12/31/13
Open Alternative School Play Equipment	1,592	12/31/13
McKinley Elementary School Site Drainage Stabilization	1,595	12/31/13
Franklin Elementary School VOIP Phone System	2,085	12/31/13
McKinley Elementary School VOIP Phone System	4,610	12/31/13
Franklin Elementary School Play Equipment	4,686	12/31/13
Goleta Valley Jr. High School ICM Replacement	5,447	12/31/13
La Cumbre Jr. High School ICM Replacement	6,414	12/31/13

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Construction Commitments, Continued

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Harding Elementary School Fire Alarm Replacement	\$ 6,841	12/31/13
Peabody Charter School Playground Equipment	11,178	12/31/13
Adams Elementary School Playground Equipment	12,026	12/31/13
Adams Elementary School Master Planning Services	14,203	12/31/13
Washington Elementary School Temporary Library Building	14,238	12/31/13
Adams Elementary School Asphalt Drainage	16,295	12/31/13
Harding Elementary School Play Equipment	18,424	12/31/13
Monroe Elementary School Fire Alarm Replacement	25,240	12/31/13
Santa Barbara Charter New Restroom	27,505	12/31/13
Monroe Elementary School VOIP Phone System	31,178	12/31/13
San Marcos High School Site Drainage	55,498	12/31/13
Peabody Charter School Heating System Replacement	78,300	12/31/13
Harding Elementary School Restroom Modernization	214,258	12/31/13
San Marcos High School Asphalt Renovation	302,183	12/31/13
Dos Pueblos High School VOIP Phone System	302,500	12/31/13
Dos Pueblos High School Shower and Locker Room Renovation	304,500	12/31/13
Santa Barbara High School Gym Renovation	389,113	12/31/13
Santa Barbara Jr. High School Playground Asphalt	533,173	12/31/13
Santa Barbara Charter Distinguished School Sign	10,228	03/31/14
Adams Elementary School Library Replacement	180,929	03/31/14
Peabody Charter School New Restroom	698,700	03/31/14
Adelante Restroom Replacement	818,827	03/31/14
La Colina ICM Replacement	5,373	06/30/14
Santa Barbara High School Stadium Upgrade	66,130	06/30/14
La Cumbre Jr. High School Theater Modernization	103,018	06/30/14
Washington Elementary School Library Replacement	146,453	06/30/14
Total	<u>\$ 4,961,323</u>	

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Self-Insured Schools of California I (SISC I), Self-Insured Schools of California II (SISC II), and the Self-Insured Schools of California III (SISC III) public entity risk pools. The District pays an annual premium to the SISC I, SISC II, and SISC III, for workers' compensation, property and liability coverage and health benefits, respectively. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2013, the District made payments of \$931,988, \$500,447, and \$10,445,776, to the Self-Insured Schools of California I (SISC I), Self-Insured Schools of California II (SISC II), and Self-Insured Schools of California III (SISC III), respectively for the services noted above.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$11,952,000 of Tax and Revenue Anticipation Notes dated July 17, 2013. The notes mature on June 2014, and yield 0.20 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 2014, until 100 percent of principal and interest due is on account in April 2014.

2010 General Obligation Bonds, Series B

On August 20, 2013, the District issued \$20,000,000 of 2010 General Obligation Bonds, Series B. The current interest bonds have a final maturity to occur August 1, 2038, with interest yields of 2.00 to 5.00 percent. Proceeds from the bonds will be used for the purpose of acquiring, constructing, repairing, renovating and improving school facilities and pay costs associated with the issuance of the bonds.

2010 General Obligation Bonds, Series D

On August 20, 2013, the District issued \$35,000,000 of 2010 General Obligation Bonds, Series D. The current interest bonds have a final maturity to occur August 1, 2038, with interest yields of 2.00 to 5.25 percent. Proceeds from the bonds will be used for the purpose of acquiring, constructing, repairing, renovating and improving school facilities and pay costs associated with the issuance of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA BARBARA UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 78,719,878	\$ 94,008,974	\$ 95,166,537	\$ 1,157,563
Federal sources	6,814,462	8,134,202	7,627,111	(507,091)
Other State sources	16,090,838	15,762,637	18,971,881	3,209,244
Other local sources	6,660,606	7,914,327	8,880,187	965,860
Total Revenues ¹	108,285,784	125,820,140	130,645,716	4,825,576
EXPENDITURES				
Current				
Certificated salaries	52,715,868	58,961,797	58,484,896	476,901
Classified salaries	18,363,279	21,152,270	21,406,887	(254,617)
Employee benefits	19,893,689	19,999,060	22,256,736	(2,257,676)
Books and supplies	4,232,844	4,982,185	3,919,591	1,062,594
Services and operating expenditures	14,453,926	16,896,464	15,176,429	1,720,035
Capital outlay	73,652	555,269	710,082	(154,813)
Other outgo	(559,710)	(568,374)	(402,839)	(165,535)
Total Expenditures ¹	109,173,548	121,978,671	121,551,782	426,889
Excess (Deficiency) of Revenues Over Expenditures	(887,764)	3,841,469	9,093,934	5,252,465
Other Financing Sources (Uses)				
Transfers in	-	210,887	100,000	(110,887)
Other sources	-	-	236,214	236,214
Transfers out	(250,000)	(4,835,079)	(280,649)	4,554,430
Net Financing Uses	(250,000)	(4,624,192)	55,565	4,679,757
NET CHANGE IN FUND BALANCES	(1,137,764)	(782,723)	9,149,499	9,932,222
Fund Balances - Beginning	8,968,615	8,968,615	8,968,615	-
Fund Balances - Ending	\$ 7,830,851	\$ 8,185,892	\$ 18,118,114	\$ 9,932,222

¹ On behalf payments of \$2,604,395 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 14, Deferred Maintenance Fund have, for reporting purposes been consolidated into the General Fund, with additional revenues and expenditures pertaining to these other funds included in the Actual (GAAP Basis) revenues and expenditures, however they are not included in the original and final General Fund budgets.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

CHARTER SCHOOL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final	(GAAP Basis)	
REVENUES				
Revenue limit sources	\$ 1,426,501	\$ 1,515,398	\$ 1,579,891	\$ 64,493
Other state sources	286,079	275,081	283,515	8,434
Other local sources	319,616	173,616	91,993	(81,623)
Total Revenues	<u>2,032,196</u>	<u>1,964,095</u>	<u>1,955,399</u>	<u>(8,696)</u>
EXPENDITURES				
Current				
Certificated salaries	999,914	972,507	1,016,739	(44,232)
Classified salaries	261,269	261,269	301,200	(39,931)
Employee benefits	243,433	252,082	255,842	(3,760)
Books and supplies	32,300	31,000	18,653	12,347
Services and operating expenditures	58,372	58,672	46,716	11,956
Other outgo	401,199	401,199	434,470	(33,271)
Total Expenditures	<u>1,996,487</u>	<u>1,976,729</u>	<u>2,073,620</u>	<u>(96,891)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>35,709</u>	<u>(12,634)</u>	<u>(118,221)</u>	<u>(105,587)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	24,549	24,549
NET CHANGE IN FUND BALANCES	<u>35,709</u>	<u>(12,634)</u>	<u>(93,672)</u>	<u>(81,038)</u>
Fund Balance - Beginning	<u>234,824</u>	<u>234,824</u>	<u>234,824</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 270,533</u>	<u>\$ 222,190</u>	<u>\$ 141,152</u>	<u>\$ (81,038)</u>

SANTA BARBARA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2009	-	\$ 13,616,000	\$ 13,616,000	0%	\$ 83,100,670	16%
July 1, 2011	-	16,695,000	16,695,000	0%	82,895,672	20%

SUPPLEMENTARY INFORMATION

SANTA BARBARA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Awards:			
Elementary and Secondary School Counseling Demonstration	84.215E	[1]	\$ 341,164
Passed through California Department of Education (CDE):			
Title I, Part A - Basic Grants, Low Income and Neglected -Reallocation Funds	84.010	14981	2,249,535
Title I, Part G - Advanced Placement Test Fee Reimbursement Program	84.330B	14831	2,739
Title II, Part A - Improving Teacher Quality	84.367	14341	486,968
Title II, Part A - Principal Training	84.367	14344	24,000
Title II, Part D - Enhancing Education Through Technology	84.318	14334	4,476
Title III - Limited English Proficiency	84.365	14346	585,278
Title III - Immigrant Education Program	84.365	15146	37,659
Vocational Education Grants			
Applied Technology - Secondary Education	84.048	14894	79,568
Passed through Santa Barbara County SELPA:			
Special Education Cluster (IDEA):			
Local Assistance	84.027	13379	3,114,479
Preschool Local Assistance	84.027A	13682	129,168
Federal Preschool	84.173	13430	49,524
Quality Assurance and Focused Monitoring	84.027A	13693	36,424
Subtotal for Special Education Cluster (IDEA)			<u>3,329,595</u>
Passed through Department of Rehabilitation:			
Workability II, Transition Partnership	84.158	10006	<u>278,403</u>
Total U.S. Department of Education			<u>7,419,385</u>

[1] Direct Award

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Basic Breakfast	10.553	13525	\$ 4,679
Especially Needy Breakfast	10.553	13526	962,532
National School Lunch Program	10.555	13524	2,421,770
Meal Supplements	10.555	13392	163,143
Food Distribution	10.555	13524	360,497
Summer Food Program	10.559	13004	157,658
Subtotal for Child Nutrition Cluster			<u>4,070,279</u>
Child and Adult Care Food Program	10.558	13529	147,087
Passed through Santa Barbara County Office of Education:			
Forest Reserve	10.665	10044	<u>2,493</u>
Total U.S. Department of Agriculture			<u>4,219,859</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Human Services:			
Medi-Cal Billing Option	93.778	10013	205,233
Passed through Community Action Commission:			
Head Start	93.600	10016	275,830
Passed through CDE:			
Child Development - Federal Child Care, Center Based	93.596	13609	<u>690,851</u>
Total U.S. Department of Health and Human Services			<u>1,171,914</u>
Total Expenditures of Federal Awards			<u>\$ 12,811,158</u>

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

ORGANIZATION

The Santa Barbara Unified School District was unified July 1, 2011 and consists of an area comprising approximately 136.4 square miles. The District operates ten elementary schools, four junior high schools, three high schools, one continuation school, two charter schools, and two alternative schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Monique Limon	President	2014
Kate Parker	Vice President	2014
Gayle Eldelson	Member	2016
H. Edward Heron	Member	2016
Pedro Paz	Member	2016

ADMINISTRATION

David E. Cash, Ed.D.	Superintendent
Meg Jetté	Assistant Superintendent, Business Services
Margaret Christensen	Assistant Superintendent, Human Resources
Martin Sumpter	Assistant Superintendent, Pupil Services
Ben Drati	Assistant Superintendent, Secondary Education
Emilio Handall	Assistant Superintendent, Elementary Education
Helen Rodriguez	Assistant Superintendent, Special Education

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2013

		Final Report	
		Second Period Report	Annual Report
ELEMENTARY			
Kindergarten		688	690
First through third		1,874	1,874
Fourth through sixth		1,662	1,660
Seventh and eighth		2,900	2,900
Home and hospital		3	4
Special education		196	197
Total Elementary		7,323	7,325
SECONDARY			
Regular classes		5,739	5,703
Continuation education		123	120
Home and hospital		10	12
Special education		223	221
Total Secondary		6,095	6,056
Total K-12		13,418	13,381

	Santa Barbara Elementary		Santa Barbara Middle	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Classroom-Based				
Kindergarten	32	32		
Fourth through sixth	92	93	17	18
Seventh and eighth	49	49	22	22
Total Classroom-Based	173	174	39	40
Non Classroom-Based				
Kindergarten	16	16		
First through third	24	24		
Fourth through sixth			11	10
Seventh and eighth	17	17	11	11
Total Non Classroom-Based	57	57	22	21
Total Charter School				
Kindergarten	48	48		
First through third	24	24		
Fourth through sixth	92	93	28	28
Seventh and eighth	66	66	33	33
Total Charter School	230	231	61	61

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2013

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2012-13	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	35,000	34,028	36,000	35,000	36,000	180	-	Complied
Grades 1 - 3	49,000	47,639	50,400	49,000				
Grade 1					50,525	180	-	Complied
Grade 2					50,525	180	-	Complied
Grade 3					50,525	180	-	Complied
Grades 4 - 6	49,875	48,490	54,000	52,500				
Grade 4					54,065	180	-	Complied
Grade 5					54,065	180	-	Complied
Grade 6					54,065	180	-	Complied
Grades 7 - 8	50,535	49,131	54,000	52,500				
Grade 7					54,065	180	-	Complied
Grade 8					54,065	180	-	Complied
Grades 9 - 12	65,200	63,389	64,800	63,000				
Grade 9					65,226	180	-	Complied
Grade 10					65,286	180	-	Complied
Grade 11					65,286	180	-	Complied
Grade 12					65,226	180	-	Complied

CHARTER SCHOOLS

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2012-13	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	-	-	36,000	35,000	43,475	175	-	Complied
Grades 1 - 3	-	-	50,400	49,000				
Grade 1					54,095	175	-	Complied
Grade 2					54,095	175	-	Complied
Grade 3					54,095	175	-	Complied
Grades 4 - 6	-	-	54,000	52,500				
Grade 4					54,095	175	-	Complied
Grade 5					54,095	175	-	Complied
Grade 6					53,865	175	-	Complied
Grades 7 - 8	-	-	54,000	52,500				
Grade 7					53,865	175	-	Complied
Grade 8					53,865	175	-	Complied

Note: The minutes for 1982-83 are not available. The Charter Schools began operations in 1993-94 and do not have historical records of instructional minutes prior to that time.

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

	(Budget) 2014 ¹	2013	2012	2011
GENERAL FUND				
Revenues	\$ 119,016,273	\$ 130,207,693	\$ 121,584,209	\$ 116,221,402
Other sources	-	336,214	60,100	725,000
Total Revenues and Other Sources	119,016,273	130,543,907	121,644,309	116,946,402
Expenditures	118,929,756	121,113,553	120,737,227	119,893,574
Other uses and transfers out	543,047	4,617,386	288,717	154,382
Total Expenditures and Other Uses	119,472,803	125,730,939	121,025,944	120,047,956
INCREASE (DECREASE) IN FUND BALANCE	\$ (456,530)	\$ 4,812,968	\$ 618,365	\$ (3,101,554)
ENDING FUND BALANCE	\$ 13,299,166	\$ 13,755,696	\$ 8,942,728	\$ 8,324,363
AVAILABLE RESERVES ²	\$ 11,388,065	\$ 11,711,760	\$ 3,556,190	\$ 6,182,439
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	9.53%	9.51%	3.01%	5.15%
LONG-TERM OBLIGATIONS	N/A	\$ 145,317,430	\$ 145,848,283	\$ 126,768,551
K-12 AVERAGE DAILY ATTENDANCE AT P-2	13,292	13,418	13,278	13,223

The General Fund balance has increased by \$5,431,333 over the past two years. The fiscal year 2013-2014 budget projects a decrease of \$456,530 (3.3 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, however anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have increased by \$18,548,879 over the past two years.

Average daily attendance has increased by 195 over the past two years. However, a decline of 126 ADA is anticipated during fiscal year 2013-2014.

¹ Budget 2014 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

³ On behalf payments of \$2,604,395 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 14, Deferred Maintenance Fund have, for reporting purposes been consolidated into the General Fund, with additional revenues and expenditures pertaining to these other funds included in the Actual (GAAP Basis) revenues and expenditures.

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2013

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Santa Barbara Elementary (Charter Number 6111603)	Yes
Santa Barbara Middle (Charter Number 6116297)	Yes
Adelante (Charter Number 6118202)	No
Peabody (Charter Number 6045918)	No

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2013

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 339,117	\$ (186,379)	\$ 2,031,102
Receivables	135,112	685,424	1,650
Due from other funds	5,693	11,588	-
Prepaid expenses	-	5,564	-
Stores inventories	-	50,673	-
Total Assets	\$ 479,922	\$ 566,870	\$ 2,032,752
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 26,864	\$ 50,932	\$ 2,258
Due to other funds	201,470	242,797	-
Deferred revenue	46,150	-	-
Total Liabilities	274,484	293,729	2,258
Fund Balances:			
Nonspendable	-	56,237	-
Restricted	178,480	216,904	2,030,494
Assigned	26,958	-	-
Total Fund Balances	205,438	273,141	2,030,494
Total Liabilities and Fund Balances	\$ 479,922	\$ 566,870	\$ 2,032,752

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Non-Major Governmental Funds
\$ 96,501	\$ 120,501	\$ 2,400,842
131	37,997	860,314
-	-	17,281
-	-	5,564
-	-	50,673
<u>\$ 96,632</u>	<u>\$ 158,498</u>	<u>\$ 3,334,674</u>

\$ 70,384	\$ 2,705	\$ 153,143
-	-	444,267
-	-	46,150
<u>70,384</u>	<u>2,705</u>	<u>643,560</u>
-	-	56,237
26,248	-	2,452,126
-	155,793	182,751
<u>26,248</u>	<u>155,793</u>	<u>2,691,114</u>
<u>\$ 96,632</u>	<u>\$ 158,498</u>	<u>\$ 3,334,674</u>

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2013

	Child Development Fund	Cafeteria Fund
REVENUES		
Federal sources	\$ 966,681	\$ 4,217,366
Other State sources	2,324,466	306,554
Other local sources	648,395	1,437,526
Total Revenues	3,939,542	5,961,446
EXPENDITURES		
Current		
Instruction-related activities:		
Supervision of instruction	10,845	-
Pupil services:		
Food services	81,137	5,864,322
Administration:		
All other administration	191,543	-
Plant services	31,464	84,396
Facility acquisition and construction	-	1,832
Community services	3,692,499	-
Debt service		
Principal	2,375	44,367
Interest and other	-	7,040
Total Expenditures	4,009,863	6,001,957
Excess (Deficiency) of Revenues Over Expenditures	(70,321)	(40,511)
Other Financing Sources (Uses)		
Transfers in	-	256,100
Other sources	10,845	9,652
Transfers out	(100,000)	-
Net Financing Sources (Uses)	(89,155)	265,752
NET CHANGE IN FUND BALANCES	(159,476)	225,241
Fund Balances - Beginning	364,914	47,900
Fund Balances - Ending	\$ 205,438	\$ 273,141

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 5,184,047
-	-	-	2,631,020
853,308	169,285	104,622	3,213,136
853,308	169,285	104,622	11,028,203
-	-	-	10,845
-	-	-	5,945,459
-	-	-	191,543
26,486	-	-	142,346
587,511	2,254,201	291,884	3,135,428
-	-	-	3,692,499
-	128,324	-	175,066
-	37,035	-	44,075
613,997	2,419,560	291,884	13,337,261
239,311	(2,250,275)	(187,262)	(2,309,058)
-	-	-	256,100
-	-	-	20,497
-	-	-	(100,000)
-	-	-	176,597
239,311	(2,250,275)	(187,262)	(2,132,461)
1,791,183	2,276,523	343,055	4,823,575
\$ 2,030,494	\$ 26,248	\$ 155,793	\$ 2,691,114

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

For the current period, the revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards agree.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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 are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Santa Barbara Unified School 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 governmental activities, each major fund, and the aggregate remaining fund information of Santa Barbara Unified School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Santa Barbara Unified School District's basic financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Barbara Unified School 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 Santa Barbara Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Barbara Unified School 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Barbara Unified School 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.

VADIAKIS, TIZAS, DAY + CO. LLP

Rancho Cucamonga, California
December 16, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Santa Barbara Unified School District
Santa Barbara, California

Report on Compliance for Each Major Federal Program

We have audited Santa Barbara Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Santa Barbara Unified School District's (the District) major Federal programs for the year ended June 30, 2013. Santa Barbara Unified School 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 laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Santa Barbara Unified School 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, 2013.

Report on Internal Control Over Compliance

Management of Santa Barbara Unified School 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 Santa Barbara Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Santa Barbara Unified School 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

VADINER, TRINE, Day + CO, LLP
Rancho Cucamonga, California
December 16, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Santa Barbara Unified School District
Santa Barbara, California

Report on State Compliance

We have audited Santa Barbara Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies* 2012-2013 that could have a direct and material effect on each of the Santa Barbara Unified School District's State government programs as noted below for the year ended June 30, 2013.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Santa Barbara Unified School 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 for Audits of California K-12 Local Educational Agencies* 2012-2013. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Santa Barbara Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Santa Barbara Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Santa Barbara Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2013.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction	1	Yes
Non Classroom-Based Instruction/Independent Study	15	Yes
Determination of Funding for Non Classroom-Based Instruction	3	Yes
Annual Instruction Minutes Classroom-Based	4	Yes

VADIAK TIZAS, Day + Co. LLP

Rancho Cucamonga, California
December 16, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA BARBARA UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A - Basic Grants, Low Income and Neglected - Reallocation Funds</u>
<u>84.367</u>	<u>Title II, Part A - Improving Teacher Quality</u>
<u>84.367</u>	<u>Title II, Part A - Principal Training</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education Cluster (IDEA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 384,335</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unmodified</u>
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SANTA BARBARA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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 financial statement findings.

State Awards Findings

2012-1 40000

After School Education and Safety Program – Attendance and Reporting

Criteria or Specific Requirements

According to *Education Code* Section 8483(a)(2), elementary school pupils are to participate in the full day of the program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. Adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program as consistent with the early release policy.

Condition

There appears to be some instances in which the total number of students reported on the monthly summaries does not agree to the total number of students served on the manual rosters. During review of manual rosters, it was noted that there were students that were absent on the manual rosters which was counted in the monthly summaries. As a result, the total number of students served reported to the California Department of Education for the second half attendance report was overstated by eight.

Questioned Costs

There is no questioned cost component to the condition identified.

Context

The condition identified was determined through review of attendance records from three of the seven sites that operate the after school program. Manual sign out rosters were reviewed for each child's sign out time, in order to determine daily participation. Auditor reviewed manual sign out rosters for the month of March 2012. Of the three sites reviewed, we determine the total number of students reported to the California Department of Education did not agree to the supporting documentation for two sites, Adams Elementary School and McKinley Elementary School.

Effect

As a result of our testing, it appears the number of students served reported to the California Department of Education was overstated by eight.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Cause

It appears that the condition identified has materialized as a result of the site not following up to ensure total number of students participated from the manual rosters agree to the monthly summaries and to the attendance report that is submitted to the State.

Recommendation

The District should ensure adequate review has taken place on the attendance reports prior to submission to the California Department of Education. The total number of students served in the manual rosters should reconcile to the total number of students reported on the attendance report.

Current Status

Implemented



Governing Board
Santa Barbara Unified School District
Santa Barbara, California

In planning and performing our audit of the financial statements of Santa Barbara Unified School District (the District) for the year ended June 30, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 16, 2013, on the financial statements of Santa Barbara Unified School District.

INTERNAL CONTROLS

Payroll – Timecards

Observation

Based on testing performed, the sites are not required to forward individual timecards to the District. Currently, the sites collect all of the timecards, but several sites only forward the District a summary prepared from the timecards. Since the summary is prepared by the sites and timecards are not forwarded, the payroll department is unable to verify the accuracy of the information entered on the summary. For example, errors could occur in the number of hours entered on the summary and the payroll department would be unable to identify it.

Recommendation

The District should consider having the site forward the individual timecards along with the summary. This will allow the District to verify the hours worked and make sure that all hours reported are complete and accurate.

Payroll – Hourly Site Summary

Observation

Per inquiry, the payroll department makes changes to the hourly pay rates based on pay rate written on timecards or the summary of timecards prepared at the site level. We noted one employee was paid from the hourly rate indicated on the timecard instead of the higher hourly rate indicated on their "Personnel Action Form".

Recommendation

Changes to individual pay rates should only be made after the appropriate documentation is received. This usually occurs after the change has gone through the normal District approval process and authorization is provided. This helps decrease the chances of unauthorized changes in pay rates and errors in the amount paid to employees.

District Clearing Account

Observation

The District does not assign and distribute receipt books to the sites that collect cash. In addition, copies of site receipts are not forwarded along with "Site Deposit Transfer Slips" and monies sent to the District for deposit except for the deposits forwarded by the child development department. Although the "Site Deposit Transfer Slip" indicates the amount of deposit, the District should reconcile site receipts to the monies forwarded to ensure monies are intact. Finally, the District does not maintain a log that would allow them to monitor the sequential numbering of receipts from each site. This also would allow the District to ensure the completeness of monies sent.

Recommendation

The District should consider strengthen controls over the completeness of site receipts by issuing triplicate, pre-numbered receipt books to all sites and departments where cash and other monies are collected. The District could then monitor the sequence of receipts forwarded from the sites and department to ensure there are no gaps in the receipts forwarded and no gaps between the last receipt in the previous deposit sent and the first receipt in the current deposit received. This may be done by using a log for each site and department that indicates the date monies were received, the receipt numbers included in deposit, and the amount of deposit.

ASSOCIATED STUDENT BODY

Dos Pueblos High School

Observations

During our audit of the ASB's internal controls, we noted the following issues:

1. Perpetual inventory is not maintained for items sold at the student store.
2. Currently, the site does not track the items sold from the student store. In addition, a daily sales recap is not prepared. As a result, a reconciliation between the items sold and cash collected is also not prepared.
3. Although the site uses the Blue Bear track system to receipt monies collected, we noted instances where receipts were not issued in sequential order.
4. Approval of disbursements and fundraisers are not noted in the minutes of the Student Council meetings. From the limited amount of minutes provided during the audit, no approval was noted within for all 12 disbursements or 3 fundraisers tested.
5. Revenue potentials are not completed for fundraising events.

Recommendations

1. In order to prevent the loss or the misappropriation of assets, the site should perform a physical inventory count at least once a year. The site should also reconcile the physical inventory count to a perpetual inventory. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.
2. The student store can issue physical receipts for items purchased or generate a tally sheet of all items sold at the student store to tally total sales of items as they are being sold. A daily sales recap should then be prepared where the items sold are reconciled to the cash collected to determine if monies are deposited intact.
3. The District should investigate and determine why receipts were not issued in sequential order to help ensure all monies collected are deposited intact and in a timely manner.
4. Student Council minutes should be maintained and filed for future review. In addition, minutes should include details of the meeting including budgeting procedures, fund raising discussions, and approval of expenditures.
5. Revenue potentials must be completed for each fundraiser. This includes the expected profit and loss section associated with the fundraisers. This will help identify any significant differences between anticipated profits and actual profits and losses and possible potential misappropriation of ASB funds. Analysis of actual profit and loss also allows the site to continue those fundraisers which generate profit and modify or eliminate those which generate losses.

We will review the status of the current year observations during our next audit engagement.

VADZINSKY, TIRINE, Day + Co, LLP

Rancho Cucamonga, California
December 16, 2013