

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**LOS ANGELES COUNTY**

**REPORT ON  
AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE**

**June 30, 2007**

**SANTA  
MONICA  
COLLEGE**

The logo for Santa Monica College, featuring the words "SANTA MONICA COLLEGE" in a serif font. The word "COLLEGE" is written in a larger, more stylized font with a decorative flourish underneath.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**AUDIT REPORT**

**June 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Santa Monica Community College District  
1900 Pico Boulevard  
Santa Monica, California 90405-1628

We have audited the accompanying basic financial statements of the Santa Monica Community College District, as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Santa Monica Community College District as of June 30, 2007, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2007 on our consideration of the Santa Monica Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Board of Trustees  
Santa Monica Community College District

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Santa Monica Community College District's financial statements. The management's discussion and analysis section and supplementary section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The supplementary information, including the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The management's discussion and analysis section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

December 14, 2007

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2007**

**Introduction**

The following discussion and analysis provides an overview of the financial position and activities of the Santa Monica Community College District (the "District") for the year ended June 30, 2007. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

Santa Monica College today is the preeminent educational, cultural, and economic development institution in the City of Santa Monica. The College offers programs of the highest quality for Santa Monica, Malibu, and other students who continue on with their higher education studies; offers programs of remediation and reentry; is a leading community provider of programs for seniors; offers cultural and arts programs of national distinction; delivers programs of exceptional depth in professional training, job training and workforce development; and provides fee-based community services programs of personal interest.

**Financial Highlights**

This section is to provide an overview of the District's financial activities. The District was required to implement the reporting standards of Governmental Accounting Standards Board Statements No. 34 and 35 during fiscal year 2001-02 using the Business Type Activity (BTA) model. The California Community College Chancellor's Office, through its Fiscal and Accountability Standards Committee, recommended that all community college districts implement the new reporting standards under the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California community college districts, the District has adopted the BTA reporting model for these financial statements.

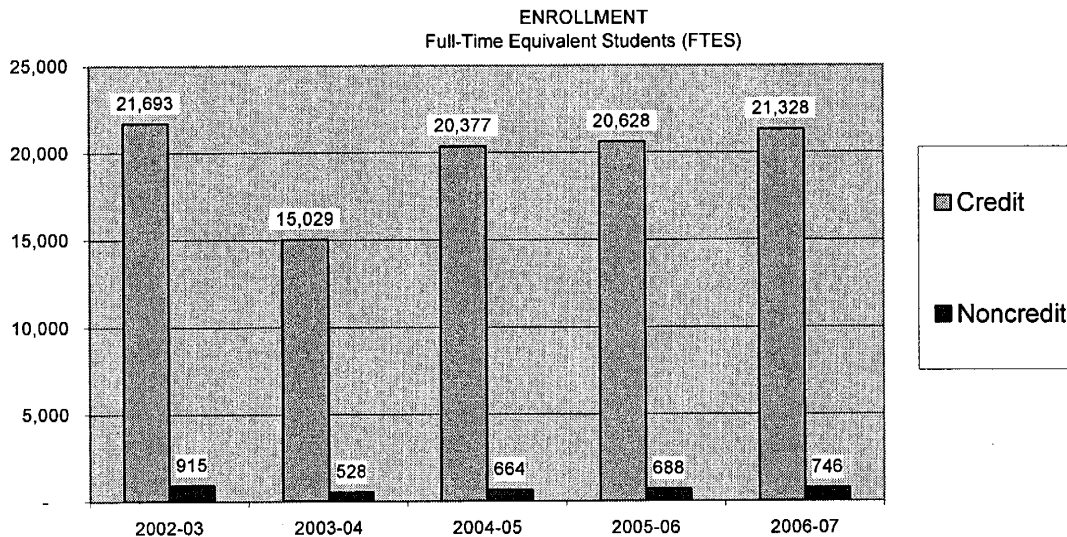
# SANTA MONICA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

### Selected Highlights

- During 2006-07, total full-time equivalent students increased approximately 3.39% for credit and increased approximately 8.43% for non-credit courses. Credit and non-credit FTES, along with other workload measures, are the basis for the District's state apportionment. The increase in non-credit FTES is the result of a slight increase in the District's small non-credit course offering. The increase in credit FTES is the result of an instructional services agreement with the Compton Community College District for Santa Monica College to deliver Summer 2006 intersession instruction at Compton Community College.



# SANTA MONICA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

### Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a point-of-time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Assets presents end-of-year data concerning assets, liabilities and net assets.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Assets are divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets; these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

# SANTA MONICA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**June 30, 2007**

The Statements of Net Assets as of June 30, 2007 and June 30, 2006 are summarized below:

	<u>(in thousands)</u> <b>2007</b>	<u>(in thousands)</u> <b>2006*</b>	<u>Change</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 93,160	\$ 87,008	7%
Receivables	15,443	21,180	-27%
Due from fiduciary funds	1,089	1,031	6%
Inventories	3,180	2,123	50%
Prepaid expenses	1,352	1,587	-15%
Prepaid issue costs - current portion	138	48	188%
Total current assets	<u>114,362</u>	<u>112,977</u>	1%
Non-current assets			
Restricted cash and cash equivalents	12,976	6,929	87%
Prepaid issue costs - non-current portion	1,722	1,106	56%
Long-term investments	2,462	2,459	0%
Capital assets, net of accumulated depreciation	<u>268,947</u>	<u>224,840</u>	20%
Total non-current assets	<u>286,107</u>	<u>235,334</u>	22%
<b>TOTAL ASSETS</b>	<u>400,469</u>	<u>348,311</u>	15%
<b>LIABILITIES</b>			
Current liabilities			
Bank overdraft	2,419	1,250	94%
Accounts payable and accrued liabilities	19,972	19,655	2%
Due to fiduciary funds	80	75	100%
Deferred revenue	9,347	7,635	22%
Compensated absences	1,354	1,320	3%
Long-term liabilities - current portion	<u>9,009</u>	<u>7,077</u>	27%
Total current liabilities	<u>42,181</u>	<u>37,012</u>	14%
Non-current liabilities			
Long-term liabilities less current portion	<u>247,553</u>	<u>227,983</u>	9%
Total non-current liabilities	<u>247,553</u>	<u>227,983</u>	9%
<b>TOTAL LIABILITIES</b>	<u>289,734</u>	<u>264,995</u>	9%
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	75,859	65,162	16%
Restricted	17,382	11,157	56%
Unrestricted	<u>17,494</u>	<u>6,997</u>	150%
<b>TOTAL NET ASSETS</b>	<u>\$ 110,735</u>	<u>\$ 83,316</u>	33%

\* Changes were made to the 2005-06 presentation to be inline with 2006-07.



# SANTA MONICA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

- A major portion of the cash balance is cash deposited in the Los Angeles County Treasury. Further discussion is located in the section labeled "Statement of Cash Flows," along with an additional explanation on change in cash balances.
- There was a 7% increase in cash and cash equivalents. This increase was caused by the influx of one-time funding related to the SB 361 Equalization payment, Unrestricted FTES Block Grant, Prior Year Adjustment to State Apportionment, revenue generated from the Compton Instructional Services Agreement, and Mandated Cost Claims.
- Accounts receivable balances showed a decrease of 27% due to the fact that the District received all of the state apportionment due in 2006-2007 and did not have to set up an accounts receivable as in prior years.
- Prepaid issue costs – current portion showed an increase of 188% as a result of the issuance and refunding of \$67.7 million of General Obligation bonds.
- Restricted cash and cash equivalents increased 87% due to the increased cash balance in the Bond Interest and Redemption fund for debt service related to the issuance of new bonds.
- Prepaid issue costs – non-current portion showed an increase of 56% as a result of the issuance and refunding of \$67.7 million of General Obligation bonds.
- Compared with 2005-2006, capital assets had a net increase of 20%. The ongoing construction of the following major construction projects represented most of the increase: Madison Theatre, the Music Complex, Liberal Arts North, Liberal Arts South, the Quad, and the Shuttle Replacement Lot. The capital assets section of this discussion and analysis provides greater detail.
- Long-term liabilities current portion increased by 27% as a result of the issuance and refunding of \$67.7 million of General Obligation bonds.
- Long-term liabilities less current portion increased by 9% as a result of the issuance and refunding of \$67.7 million of General Obligation bonds.
- The bulk of the total increase to Restricted Net Assets is attributed to the increase in the Bond Interest Redemption Fund related to the issuance and refunding of \$67.7 million of General Obligation bonds.

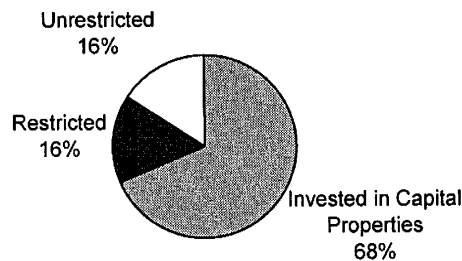
# SANTA MONICA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

- Most of the total increase to the Unrestricted Net Assets is attributed to the influx of one-time funding related to the SB 361 Equalization payment, Unrestricted FTES Block Grant, Prior Year Adjustment to State Apportionment, revenue generated from the Compton Instructional Services Agreement, and Mandated Cost Claims.
- The District currently has two outstanding Certificate of Participation debt issues that amount to approximately \$28.1 million (including deferred charges). \$318 million of general obligation bonding was authorized by the voters in three separate bond elections. Additional information regarding long term debt is included in the Debt Administration section of this discussion and analysis.

**Net Assets**  
June 30, 2007



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2007**

**Statement of Revenues, Expenses and Change in Net Assets**

The change in total net assets is presented on the Statement of Net Assets based on the activity presented in the Statement of Revenues, Expenses and Change in Net Assets. The purpose of this statement is to present the operating and non-operating revenues earned (whether received or not) by the District, the operating and non-operating expenses incurred (whether paid or not) by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations. Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

A comparison between fiscal years 2005-06 and 2006-2007 is provided on the following page.

# SANTA MONICA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**June 30, 2007**

The Statements of Revenues, Expenses and Change in Net Assets for the year ended June 30, 2007 and June 30, 2006 are summarized below:

	(in thousands)	(in thousands)	
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 28,774	\$ 28,970	-1%
Grants and contracts, non-capital	28,659	25,048	14%
Auxiliary sales and charges	<u>9,824</u>	<u>8,488</u>	16%
Total operating revenues	<u>67,257</u>	<u>62,506</u>	8%
Operating Expenses			
Salaries and benefits	117,258	108,651	8%
Supplies, materials and other operating expenses and services	30,594	25,830	18%
Financial aid	11,971	12,893	-7%
Utilities	3,095	2,833	9%
Depreciation	<u>3,651</u>	<u>3,203</u>	14%
Total operating expenses	<u>166,569</u>	<u>153,410</u>	9%
Operating loss	<u>(99,312)</u>	<u>(90,904)</u>	-9%
Non-operating revenues (expenses)			
State apportionments, non-capital	84,732	71,183	19%
Local property taxes	11,962	13,713	-13%
State taxes and other revenues	4,693	5,125	-8%
Contributions, gifts and grants, non-capital	3,824	3,192	20%
Investment income (expense), net	2,610	1,898	38%
Other local revenue, non capital	<u>207</u>	<u>          </u>	100%
Total non-operating revenues (expenses)	<u>108,028</u>	<u>95,111</u>	14%
Other revenues, expenses, gains or losses			
State apportionments, capital	3,309	709	367%
Interest expense on capital-related debt	(10,999)	(9,123)	21%
Local property taxes and revenues, capital	<u>25,204</u>	<u>15,989</u>	58%
Total other revenues, expenses, gains or losses	<u>17,514</u>	<u>7,575</u>	131%
Change in net assets	<u>26,230</u>	<u>11,782</u>	123%
Net assets, beginning of year as previously reported	83,316	71,534	16%
Adjustment for restatement (see note 14)	<u>1,189</u>	<u>          </u>	-100%
Net assets, beginning of year as restated	<u>84,505</u>	<u>71,534</u>	18%
Net assets, end of year	<u>\$ 110,735</u>	<u>\$ 83,316</u>	33%

## SANTA MONICA COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

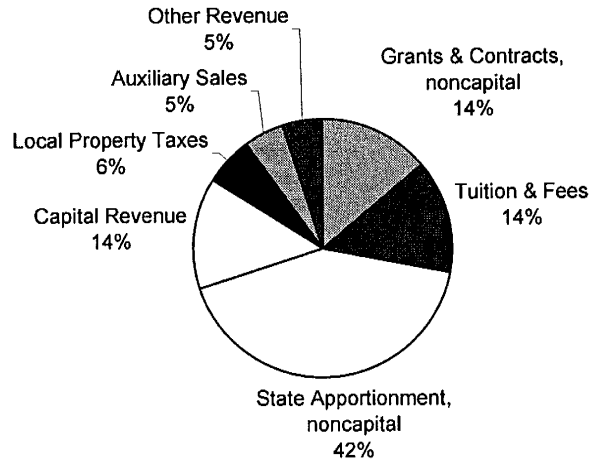
- Operating expenses are 70% related to personnel costs. During the 2006-07 year, payroll related benefit expenses increased at the lowest percentage rate in years but still represented a substantial cost increase to the District. Increases in personnel costs represented 65% of the total increase in operating expenses. The balance of operating expenses were for supplies and other services, capital outlay items below the capitalization threshold, insurance, utilities and depreciation expense.
- Utilities expenditures increased 9% from 2005-06. This increase is a result of increased costs related to usage and increased usage of facilities. The District expects utility costs to continue to increase rapidly in future years as new facilities come on line.
- State apportionment is generated based on the Full Time Equivalent Students (FTES) reported to the state by the District. Enrollment fees are classified as operating revenue; and property taxes and apportionment are called non-operating revenue. The state general revenue is a workload calculation that is funded by property taxes, enrollment fees, and apportionment. If property taxes or enrollment fees go down, the apportionment goes up to cover the drop. The inverse is also true, so any increase in taxes would lower the apportionment. State apportionment increased 19% as a result of factors such as COLA adjustments, increases in reported FTES related to the Compton Instructional Services Agreement and adjustments to apportionment to offset the decrease in local property taxes such as ERAF.
- Local property taxes are received through the Auditor-Controller's Office for Los Angeles County. There was a 13% decrease in local property tax revenues in 2006-07, due primarily to an approximate \$1.8 million decrease in funding from ERAF (Education Revenue Augmentation Fund). The amount received for property taxes is deducted from the total state apportionment amount for general revenue calculated by the state for the District. So any increase/decrease in property taxes would not mean an increase/decrease in net revenue.
- State tax and other revenues decreased 8% during the year. This revenue category includes a variety of revenues such as homeowner's property tax relief, lottery apportionments, state mandated cost reimbursement and general and other state revenues.
- State apportionments, capital are the amount of capital outlay, deferred maintenance, architectural barrier removal and hazardous substance funding received from the state through the Department of Finance. This amount increased by 367% as a result of funding received in 2006-2007 for use on facilities in the form of a one-time Physical Plant Block Grant.
- There was a 58% increase in local property taxes, capital as a direct result of the increased property taxes assessed to pay for debt related to bond issuances.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

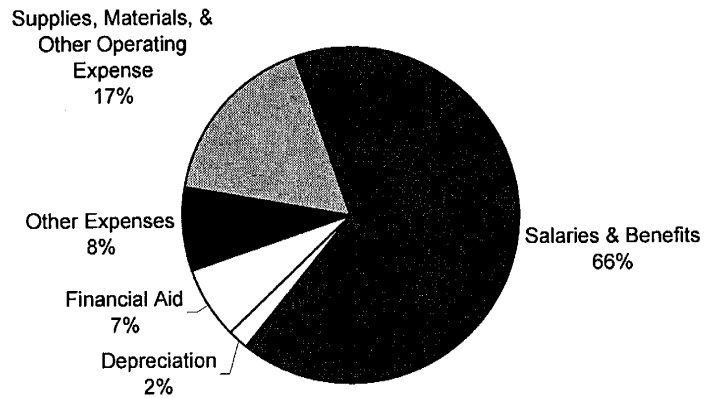
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2007**

**Total Revenue 2006-07**



**Total Expenses 2006-07**



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2007**

**Statement of Cash Flows**

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Change in Net Assets.

	(in thousands) <u>2007</u>	(in thousands) <u>2006</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (93,017)	\$ (89,853)	4%
Non-capital financing activities	112,740	87,712	29%
Capital and related financing activities	(8,656)	11,934	-173%
Investing activities	<u>1,132</u>	<u>561</u>	102%
Net increase/(decrease) in cash and cash equivalents	12,199	10,354	18%
Cash balance, beginning of year	<u>93,937</u>	<u>83,583</u>	12%
Cash balance, end of year	<u>\$ 106,136</u>	<u>\$ 93,937</u>	13%

## SANTA MONICA COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

- Cash receipts from operating activities are from student tuition and from federal, state and local grants. Uses of cash are payments to employees, vendors and students related to the instructional program. There was a 4% increase in cash used for operating activities directly related to increases in payroll and vendor payment.
- The increase in non-capital financing activities reflects the increase in state apportionment related to COLA and increased FTES generated from the Instructional Services Agreement with the Compton Community College District.
- The decrease in capital and related financing activities for fiscal year 2006-07 compared to 2005-06 can be attributed to the net effect of bond proceeds, capital related state apportionment, expenses related to the construction of capital assets, the purchase of the Shuttle Replacement parking lot and an increase in debt payments.
- Cash from investing activities is interest earned on cash in bank and cash invested through the Los Angeles County pool and on investments with fiduciaries. Increases are due to higher interest rates and higher daily cash balances held by the District in interest bearing accounts.
- The overall increase in cash balance is attributed to the net effect of all items mentioned above and a net surplus of one time funding and one time expenditures of \$7.5 million.

#### **District's Fiduciary Responsibility**

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2007**

**Capital Asset and Debt Administration**

**Capital Assets**

As of June 30, 2007, the District had net governmental capital assets of \$268.9 million consisting of land, buildings and building improvements, construction in progress, vehicles, data processing equipment and other office and instructional equipment; these assets have accumulated depreciation of \$35.4 million. Net additions in 2006-07 consisted mainly of construction in progress since there has been a substantial increase in the amount of construction on campus due to the passage of Measure "U" and Measure "S." While there were no significant projects completed in 2006-2007, the following major projects added significantly to the capital assets of the District in the form of construction in process: Madison Theatre, the Music Complex, Liberal Arts North, Liberal Arts South, the Quad, and the Shuttle Replacement Lot. It is important to recognize that all valuations are based on historical cost. The 38 acres of the main campus would have a significantly greater value today than in 1950.

Note 5 to the financial statements provides additional information on capital assets. Total capital assets, net of depreciation is summarized below:

	<u>Balance June 30, 2007</u>
Land	\$ 63,208,476
Site and Site Improvements	143,222,283
Equipment	10,387,115
Construction in Progress	<u>87,555,588</u>
Totals at historical cost	<u>304,373,462</u>
Less accumulated depreciation for:	
Site and Site Improvements	(28,432,672)
Equipment	<u>(6,994,041)</u>
Total accumulated depreciation	<u>(35,426,713)</u>
Governmental capital assets, net	<u>\$ 268,946,749</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2007**

**Debt**

At June 30, 2007, the District had approximately \$257.9 million in debt; \$26,577 from capital lease obligations, \$217.4 million from general obligation bonds and \$28.1 million from obligations under certificates of participation. During 2006-07, the District issued and/or refunded \$67.7 million of general obligation bonds. The general obligation bonds and certificates of participation were issued to fund various projects related to construction, purchase and renovation of instructional facilities, laboratories, centers, administrative facilities and parking structures. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds. Debt payments on the certificates of participation will be funded through parking revenues, additional funding sources related to student enrollment and other sources identified within the Capital Funds. The District's bond rating of AA- has not changed from the prior year.

Note 9 to the financial statements provides additional information on long-term liabilities. A summary of long-term debt is presented below:

	Balance <u>June 30, 2007</u>
Compensated Absences	\$ 5,184,891
Capital leases	26,577
Certificates of participation	28,117,252
General obligation bonds	217,416,818
Accreted interest	<u>7,170,215</u>
	<u>\$ 257,915,753</u>

# SANTA MONICA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

### **Budgeting for the Future**

The unrestricted general fund of the District has shown dramatic growth over the last several years. Between 2003-04 and 2006-07, expenditures have grown \$25,119,846, while revenue has increased \$27,722,778. The District has also shown great fiscal responsibility by increasing the fund balance of the unrestricted general fund from \$6,834,088 in 2003-04 to \$15,960,596 in 2006-07. These gains in fund balance have been important in giving the District a stronger financial base, but it is important to note that much of the gain in fund balance was a direct result of equalization funding which ended with the adoption of the new state funding model, the continued borrowing of summer intersession FTES, and the FTES generated through the Summer 2006 Instructional Services Agreement with the Compton Community College District. (In 2006-07, these items represented approximately \$6.7 million of the District's reported revenue.) The expenditure breakdown for the unrestricted general fund in the 2006-07 fiscal year includes 87% for salary and benefits, 1 % for supplies, 11% for services, utilities and insurance, and 1% other.

For 2007-08, the District is forecasting budget stabilization. This is a direct result of the one-time nature of the FTES generated through the Summer 2006 Instructional Services Agreement with the Compton Community College District. Going into budget stabilization and no longer receiving funding for FTES associated with the Compton Instructional Services Agreement will still leave the District with an operating surplus and an ending fund balance in excess of \$22.9 million. The District is in negotiations with both bargaining units and has set aside \$2.5 million in 2007-08 to settle those negotiations.

In light of the changes and challenges at both the local and state level, the District needs to be mindful of keeping its reserves at a level that is financially sound, especially with the possibility of a revenue base drop in future years due to state budget constraints. To do so, discretionary expenditure budgets for 2007-08 were either reduced or maintained at their prior year levels. This action of maintaining the budget at prior year levels along with the District's enrollment development and other planning efforts should allow the District to maintain a fund balance at a level that is financially sound.

## **BASIC FINANCIAL STATEMENTS**

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET ASSETS**

**June 30, 2007**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 93,160,251
Accounts receivable, net	15,442,947
Due from fiduciary funds	1,089,132
Inventories	3,179,621
Prepaid expenses and deposits	1,352,228
Prepaid issue costs - current portion	<u>137,974</u>
<b>Total Current Assets</b>	<u><b>114,362,153</b></u>

Non-Current Assets:

Restricted cash and cash equivalents	12,976,541
Prepaid issue costs - non-current portion	1,721,628
Long-term investments	2,462,018
Capital assets, net of accumulated depreciation	<u>268,946,749</u>
<b>Total Non-Current Assets</b>	<u><b>286,106,936</b></u>

**TOTAL ASSETS** **\$ 400,469,089**

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Bank overdraft	\$ 2,418,996
Accounts payable	13,007,388
Accrued liabilities	6,964,421
Due to fiduciary funds	79,980
Deferred revenue	9,347,473
Compensated absences - current portion	1,353,762
Capital leases - current portion	26,577
COPS payable - current portion	1,023,540
GO Bonds payable - current portion	<u>7,958,400</u>
<b>Total Current Liabilities</b>	<u><b>42,180,537</b></u>

Non-Current Liabilities:

Compensated absences	3,831,129
COPS payable	27,093,712
GO Bonds payable	<u>216,628,633</u>
<b>Total Non-Current Liabilities</b>	<u><b>247,553,474</b></u>

**TOTAL LIABILITIES** **289,734,011**

**NET ASSETS**

Invested in capital assets, net of related debt	75,858,730
Restricted for:	
Capital projects	6,070,795
Debt service	11,311,228
Unrestricted	<u>17,494,325</u>

**TOTAL NET ASSETS** **110,735,078**

**TOTAL LIABILITIES AND NET ASSETS** **\$ 400,469,089**

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2007**

<b>OPERATING REVENUES</b>	
Enrollment, tuition and other fees (gross)	\$ 33,080,507
Less: Scholarship discounts and allowances	<u>(4,306,144)</u>
Net enrollment, tuition and other fees	28,774,363
Grants and contracts, non-capital:	
Federal	14,868,589
State	12,822,997
Local	966,886
Auxiliary enterprise sales and charges, net	<u>9,824,158</u>
<b>TOTAL OPERATING REVENUES</b>	<u>67,256,993</u>
<b>OPERATING EXPENSES</b>	
Salaries	93,008,109
Employee benefits	24,250,184
Supplies, materials and other operating expenses and services	30,593,518
Financial aid	11,970,603
Utilities	3,095,305
Depreciation	<u>3,650,830</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>166,568,549</u>
<b>OPERATING LOSS</b>	<u>(99,311,556)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
State apportionments, non-capital	84,732,026
Local property taxes	11,961,874
State taxes and other revenues	4,692,982
Investment income, net	2,610,187
Contributions, gifts and grants, non-capital	3,823,444
Other local revenue, non-capital	<u>207,473</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>108,027,986</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)</b>	<u>8,716,430</u>
<b>OTHER REVENUES, EXPENSES, GAINS (LOSSES)</b>	
State apportionments, capital	3,309,000
Interest expense on capital-related debt	(10,998,909)
Local property taxes and revenues, capital	<u>25,203,868</u>
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS (LOSSES)</b>	<u>17,513,959</u>
<b>INCREASE IN NET ASSETS</b>	<u>26,230,389</u>
<b>NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	83,315,754
<b>ADJUSTMENT FOR RESTATEMENT (SEE NOTE 14)</b>	<u>1,188,935</u>
<b>NET ASSETS - BEGINNING OF YEAR, AS RESTATED</b>	<u>84,504,689</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 110,735,078</u>

See the accompanying notes to the financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 28,700,897
Federal grants and contracts	14,319,211
State grants and contracts	15,390,702
Local grants and contracts	36,098
Auxiliary operation sales	9,795,942
Payments to suppliers	(33,521,179)
Payments to/on-behalf of employees	(115,676,728)
Payments to/on-behalf of students	(12,008,388)
Payments to Trust and Agency Fund	<u>(53,353)</u>
Net cash used by operating activities	<u>(93,016,798)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State apportionments and receipts	92,335,062
Property taxes	12,265,875
State taxes and other revenue	4,315,365
Grants and gifts for other than capital purposes	<u>3,823,444</u>
Net cash provided by non-capital financing activities	<u>112,739,746</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from capital debt	82,144,469
State apportionment for capital purposes	3,307,835
Local revenue for capital purposes	6,362,132
Tax revenue for payment of capital debt	16,524,405
Purchase of capital assets	(47,757,691)
Principal paid on capital debt	(7,015,455)
Deposit to escrow fund to defease capital debt	(58,037,945)
Interest paid on capital debt	(8,094,751)
Interest on capital investments	<u>3,910,810</u>
Net cash used by capital and related financing activities	<u>(8,656,191)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>1,132,694</u>
Net cash provided by investing activities	<u>1,132,694</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	12,199,451
<b>CASH BALANCE - Beginning of Year</b>	<u>93,937,341</u>
<b>CASH BALANCE - End of Year</b>	<u>\$ 106,136,792</u>

See the accompanying notes to the financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2007

Reconciliation of Operating Loss to  
Net Cash Used by Operating Activities

CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (99,311,556)
Adjustments to reconcile net loss to net cash (used) by operating activities:	
Depreciation expense	3,650,830
Changes in assets and liabilities:	
Receivables, net	(542,298)
Due from fiduciary funds	(58,294)
Inventories	(1,056,376)
Prepaid expenses and deposits	235,263
Bank overdraft	37,248
Accounts payable	1,554,876
Accrued liabilities	649,464
Due to fiduciary funds	4,941
Deferred revenue	1,712,172
Compensated absences	<u>106,932</u>
Net cash used by operating activities	<u>\$ (93,016,798)</u>

See the accompanying notes to the financial statements.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2007

	<b>Trust and Agency Fund</b>	<b>Associated Student Body Fund</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash on hand and in banks	\$ 13,496,169	\$ 1,283,632
Investments	3,620,284	299,647
Accounts receivable:		
Miscellaneous	76,148	1,266
Due from governmental funds		79,980
Prepaid expenses		<u>4,094</u>
<b>TOTAL ASSETS</b>	<u>\$ 17,192,601</u>	<u>\$ 1,668,619</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 159,436	\$ 8,529
Due to governmental funds	1,089,132	
Funds held in trust	<u>15,944,033</u>	<u>1,523,052</u>
<b>TOTAL LIABILITIES</b>	<u>17,192,601</u>	<u>1,531,581</u>
 <b>NET ASSETS</b>		
Unrestricted		<u>137,038</u>
<b>TOTAL NET ASSETS</b>	<u>-</u>	<u>137,038</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 17,192,601</u>	<u>\$ 1,668,619</u>

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For the Fiscal Year Ended June 30, 2007**

	<b>Associated Student Body Fund</b>
<b>ADDITIONS</b>	
Other local revenues	<u>\$ 307,149</u>
<b>TOTAL ADDITIONS</b>	<u>307,149</u>
<b>DEDUCTIONS</b>	
Supplies and materials	138,371
Services and other operating expenses	<u>98,049</u>
<b>TOTAL DEDUCTIONS</b>	<u>236,420</u>
Change in net assets	70,729
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>66,309</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 137,038</u></u>

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. REPORTING ENTITY**

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, The Financial Reporting Entity. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**A. REPORTING ENTITY (continued)**

3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been included as part of the District's reporting entity:

The California School Boards Association Finance Corporation - The financial activity has been blended in the activity of the District. Certificates of Participation issued by the Corporation are included in the Statement of Net Assets. Individually prepared financial statements are not prepared for the Corporation.

Los Angeles County Schools Regionalized Business Services Corporation - The financial activity specific to the District has been blended in these financial statements. Certificates of Participation issued by the Corporation are included in the Statement of Net Assets. Individually prepared financial statements are prepared for the Corporation on a comprehensive basis.

Based upon the application of the criteria listed above, the following potential component units have been excluded from the District's reporting entity as the third criterion listed above was not met:

Santa Monica College Foundation - The Foundation is a separate not-for-profit corporation. The Board of Directors are elected by their own Board and independent of any District Board of Trustee's appointments. The Board is responsible for approving its own budget and accounting and finance related activities.

KCRW Foundation - The Foundation is a separate not-for-profit corporation which has an affiliation in the District's KCRW-FM radio station. The Board of Directors are elected by their own Board and independent of any District Board of Trustee's appointments. The Board is responsible for approving its own budget and accounting and finance related activities.

Separate Foundation financial statements can be obtained through the District.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**B. FINANCIAL STATEMENT PRESENTATION**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments and including Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities, issued in June and November 1999 and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of Student Financial Aid Programs, are excluded from the basic financial statements.

The District operates a payroll pass-through agency fund as a holding account for amounts collected from employees for Federal taxes, state taxes and other contributions. The District had cash in the County Treasury amounting to \$(884,938) on June 30, 2007, which represents advance payments of payroll deductions. The Warrant Pass-Through Fund is not reported in the basic financial statements.

**C. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated with exception of those between the District and the Fiduciary Funds.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's Budget and Accounting Manual.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

1. 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 in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

2. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts, as well as items held for resale through the bookstore and food service operations.

3. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable instructional, custodial, health and other supplies held for consumption, as well as items held for resale through the bookstore and food service operations.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

C. **BASIS OF ACCOUNTING** (continued)

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which goods or services are consumed.

5. Prepaid Issue Costs

Amounts paid for fees and underwriting costs associated with long-term debt are capitalized and amortized to interest expense over the life of the liability. These costs are amortized using the straight-line method.

6. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts and debt service requirements.

7. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.



SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (continued)

C. **BASIS OF ACCOUNTING** (continued)

7. Capital Assets (continued)

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for building and land improvements, 10 years for equipment, 8 years for vehicles and 5 years for technology.

8. Accounts Payable

Accounts payable consists of amounts due to vendors, including accrued interest on long-term debt, of \$13,007,388.

9. Accrued Liabilities

Accrued liabilities consist of salary and benefits payable of \$6,964,421.

10. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

11. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District as compensated absences in the Statement of Net Assets.

The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires within the constraints of the appropriate retirement systems.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

12. Net Assets

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net assets – nonexpendable.

Unrestricted net assets: Unrestricted net assets represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

13. State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February of 2008 will be recorded in the year computed by the State.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

14. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax general revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been recognized in the basic financial statements for general purpose property taxes due to the fact that any receivable is offset by a payable to the state for apportionment purposes. Tax revenues associated with debt service payments are accrued when levied. A receivable has been accrued in these financial statements.

15. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all community college and school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$1,031,000 for STRS.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

16. Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

17. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING (continued)**

18. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

**NOTE 2 - DEPOSITS AND INVESTMENTS:**

**A. Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2007, \$18,253,898 of the District's bank balance of \$20,735,973 was exposed to credit risk by being uninsured and collateralized, but not in the District's name.

**Cash in County**

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2007, as provided by the pool sponsor, was \$100,434,624. Interest earned is deposited quarterly into participating funds, except for the Restricted General Fund, Student Financial Aid Fund, Warrant Pass-Through, and Earthquake Capital Outlay Fund, in which case interest earned is credited to the General Fund. Any investment losses are proportionately shared by all funds in the pool.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

**B. Cash in Bank Overdraft**

The Bookstore Fund has a Cash in Bank overdraft balance of \$2,418,996 at June 30, 2007. The negative cash balance, in reality, is a loan from other funds. The Bookstore Fund is one of three funds kept in pooled bank accounts and at June 30, 2007 the pooled accounts had a positive balance of \$10,844,348.

**C. Investments**

The District did not violate any provisions of the California Government Code during the year ended June 30, 2007.

Under provisions of California Government Code Sections 53601 and 53602 and District Board Policy Section 6006, the District may invest in the following types of investments:

- State of California Local Agency Investment Fund (LAIF)
- Los Angeles County Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- U.S. Government Agency guaranteed instruments
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

**C. Investments (continued)**

Investments for both the governmental and fiduciary fund types at June 30, 2007 are presented below:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Standard &amp; Poor's / Moody's Rating</u>
Federal Home Loan Bank Cons	12/28/2007	\$ 103,950	AAA
Federal Home Loan Bank Cons	1/23/2008	44,958	AAA
Federal Home Loan Bank Cons	2/1/2008	124,883	AAA
Federal Home Loan Bank Cons	10/23/2007	414,353	AAA
Federal Home Loan Bank Cons	8/1/2007	184,826	AAA
Federal Home Loan Bank Cons	10/23/2008	114,821	AAA
Federal Home Loan Bank Cons	7/5/2007	105,000	AAA
Federal Home Loan Mtg Corp	8/3/2007	19,971	AAA
Federal Home Loan Bank Cons	9/21/2007	1,268,806	AAA
Federal Home Loan Bank Cons	8/1/2007	1,233,839	AAA
Federal Home Loan Bank Cons	10/23/2008	304,524	AAA
Federated Treasury Obligation 398	n/a	870,795	(1)
AIG Match Funding Corporation	5/14/2024	<u>1,591,223</u>	(2)
Total		<u>\$ 6,381,949</u>	

(1) Amount is fully invested in a US government obligation therefore there is no risk disclosed

(2) Amount is in guaranteed investment contract (GIC) therefore there is no risk disclosed



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

**C. Investments (continued)**

**Interest Rate Risk**

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

**Credit Risk**

Government Code Sections 16430 and 53601 allow governmental entities to invest surplus moneys in certain eligible securities. The District has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

The District places no limit on the amount that may be invested in any one issuer. 61.1% of the District's investments are in Federal Home Loan Bank and 0.3% are invested in the Federal Home Loan Mortgage Corporation. These government-sponsored agency securities are not guaranteed by the U.S. Government.

**NOTE 3 - ACCOUNTS RECEIVABLE:**

The accounts receivable balance as of June 30, 2007 consist of the following:

Federal and State	\$11,088,668
Local	1,451,768
Miscellaneous	<u>2,902,511</u>
Total	<u>\$15,442,947</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 4 - INTERFUND TRANSACTIONS:**

Interfund activity has been eliminated in the governmental funds as required by GASB No. 34. The remaining individual interfund receivable and payable balances at June 30, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Fund	\$ 1,089,132	\$ 79,980
Associated Student Body Fund	79,980	
Trust and Agency Fund	<u>                    </u>	<u>1,089,132</u>
Totals	<u>\$1,169,112</u>	<u>\$1,169,112</u>

**NOTE 5 – CAPITAL ASSETS:**

The following provides a summary of changes in capital assets for the year ended June 30, 2007:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Land	\$ 46,270,286	\$ 16,938,190	\$	\$ 63,208,476
Site and site improvements	142,850,975	371,308		143,222,283
Equipment	8,788,330	1,598,785		10,387,115
Construction in progress	<u>58,706,180</u>	<u>29,220,716</u>	<u>371,308</u>	<u>87,555,588</u>
Total cost	<u>256,615,771</u>	<u>48,128,999</u>	<u>371,308</u>	<u>304,373,462</u>
Site and site improvements	25,529,537	2,903,135		28,432,672
Equipment	<u>6,246,346</u>	<u>747,695</u>		<u>6,994,041</u>
Total accumulated depreciation	<u>31,775,883</u>	<u>3,650,830</u>	<u>-</u>	<u>35,426,713</u>
Net Capital Assets	<u>\$ 224,839,888</u>	<u>\$ 44,478,169</u>	<u>\$ 371,308</u>	<u>\$ 268,946,749</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 6 - LEASES:**

**A. Capital Leases**

The District leases equipment valued at approximately \$1,414,200 through agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ <u>26,577</u>	\$ <u>111</u>	\$ <u>26,688</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment. Interest expenses for fiscal year 2006-07 was approximately \$9,800.

**B. Operating Leases**

The District has entered into various operating leases for land, building, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payment under these agreements are as follows.

<u>Fiscal Year</u>	<u>Lease Payment</u>
2007-2008	\$ 986,120
2008-2009	800,186
2009-2010	800,000
2010-2011	800,000
2012-2016	4,000,000
2017-2021	4,000,000
2022-2026	4,000,000
2027-2031	4,000,000
2032-2036	4,000,000
2037-2041	4,000,000
2042-2046	4,000,000
2047-2051	4,000,000
2052-2056	<u>4,000,000</u>
<b>Total</b>	<b><u>\$39,386,306</u></b>

Current year expenditures for operating leases is approximately \$986,120. The District will receive no sublease rental revenues nor pay any contingent rentals for these leases.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 7 - CERTIFICATES OF PARTICIPATION:**

- A. The agreement dated February 1, 1999, is between the Santa Monica Community College District as the "lessee" and the California School Boards Association Finance Corporation as the "lessor" or "corporation". The Corporation is a legally separate entity which was formed for the sole purpose of advance refunding the 1991 Certificates of Participation and to construct additional parking facilities and to acquire and improve administrative facilities and then leasing such items to the District.

The Corporation's funds for the advance refunding and for acquiring these items were generated by the issuance of \$24,905,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and therefore issued at interest rates below current market levels for taxable investments which range from 2.90% to 4.90% for the length of the issuance.

Lease Payments - Lease payments are required to be made by the District under the lease agreement on each June 1 for use and possession of the capital improvements for the period commencing June 1, 1999 and terminating June 1, 2024. Lease payments will be funded in part from the proceeds of the Certificates.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments with respect to Santa Monica Community College District as listed on the following page.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 7 - CERTIFICATES OF PARTICIPATION: (continued)**

Lease Payment Date	Principal	Interest	Total Payments
December 1, 2007	\$ -	\$ 432,646	\$ 432,646
June 1, 2008	735,000	432,646	1,167,646
December 1, 2008	-	417,940	417,940
June 1, 2009	765,000	417,940	1,182,940
December 1, 2009	-	402,264	402,264
June 1, 2010	800,000	402,264	1,202,264
December 1, 2010	-	385,264	385,264
June 1, 2011	830,000	385,264	1,215,264
December 1, 2011	-	367,419	367,419
June 1, 2012	865,000	367,419	1,232,419
2013-17	4,960,000	3,047,838	8,007,838
2018-22	6,295,000	1,720,000	8,015,000
2023-24	2,980,000	225,253	3,205,253
	<u>\$ 18,230,000</u>	<u>\$ 9,004,157</u>	<u>\$ 27,234,157</u>

- B.** The agreement dated August 1, 2004 is between the Santa Monica Community College District as the "lessee" and the Los Angeles County Schools Regionalized Business Services Corporation as the "lessor" or "corporation". The Corporation is a legally separate entity which was formed for the sole purpose of advance refunding the 1997 Certificates of Participation.

The Corporation's funds for the advance refunding was generated by the issuance of \$11,140,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and therefore issued at interest rates below current market levels for taxable investments which range from 3.00% to 4.375% for the length of the issuance.

Lease Payments - Lease payments are required to be made by the District under the lease agreement on each January 15 for use and possession of the capital improvements for the period commencing January 15, 2005 and terminating January 15, 2027. Lease payments will be funded in part from the proceeds of the Certificates.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 7 - CERTIFICATES OF PARTICIPATION: (continued)**

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments with respect to Santa Monica Community College District as follows:

<u>Lease Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
July 15, 2007	\$ -	\$ 246,100	\$ 246,100
January 15, 2008	330,000	246,100	576,100
July 15, 2008	-	241,150	241,150
January 15, 2009	365,000	241,150	606,150
July 15, 2009	-	235,675	235,675
January 15, 2010	370,000	235,675	605,675
July 15, 2010	-	229,200	229,200
January 15, 2011	390,000	229,200	619,200
July 15, 2011	-	221,400	221,400
January 15, 2012	400,000	221,400	621,400
July 15, 2012	-	213,400	213,400
2013-2017	2,275,000	1,903,900	4,178,900
2018-2022	2,850,000	1,311,587	4,161,587
2023-2027	<u>3,695,000</u>	<u>485,200</u>	<u>4,180,200</u>
	<u>10,675,000</u>	<u>\$ 6,261,137</u>	<u>\$ 16,936,137</u>
Deferred charge on refunding	<u>(787,748) *</u>		
Total	<u>\$ 9,887,252</u>		

\*The balance of the COPs refunded was \$912,128 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net assets and amortized to interest expense over the life of the new debt. Amortization of \$41,460 was recognized during the 2006-07 year.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 8 – BONDS PAYABLE:**

**A. Proposition T**

1. On November 3, 1992, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$23,000,000. Proceeds from the sale of the bonds were used to finance certain capital improvements. On August 1, 1993, the District issued Series A bonds totaling \$5,000,000. Interest rates range from 5.45% to 5.75% payable semiannually on February 1 and August 1. On November 1, 1995, the District issued Series B bonds totaling \$10,000,000. Interest rates range from 5.375% to 7.0% payable semiannually on January 1, and July 1. On February 1, 2000, the District issued Series C bonds totaling \$8,000,000. Interest rates range from 3.0% to 5.5% payable semiannually on February 1, and August 1.

On January 31, 2007, the District issued 1992 Election, 2007 Refunding Series B bonds totaling \$15,589,854 of capital appreciation bonds. The bonds have maturity dates from August 1, 2008 through August 1, 2014. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued and included in long-term debt at June 30, 2007 is \$580,962.

The proceeds were placed into an irrevocable escrow account and will be used to fund the future required principal and interest payments of the refunded bonds. The refunded bonds are considered in-substance defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding is a savings of cash outflow of \$729,251. The present value of the economic gain to the District amounts to \$1,648,296. The balance of the bonds refunded was \$334,191 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net assets and amortized to interest expense over the life of the new debt. Amortization of \$22,279 was recognized during the 2006-07 year. The balance of the in-substance defeased debt as of June 30, 2007 is \$15,255,000; approximately \$15.5 million was in an escrow account at June 30, 2007 to pay off this debt.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 8 – BONDS PAYABLE: (continued)**

**A. Proposition T (continued)**

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2008	\$	\$	\$
2009	2,578,084	316,916	2,895,000
2010	2,570,625	554,375	3,125,000
2011	2,469,513	780,487	3,250,000
2012	2,372,388	1,007,612	3,380,000
2013-2015	<u>5,599,244</u>	<u>3,615,756</u>	<u>9,215,000</u>
Total	15,589,854	<u>\$ 6,275,146</u>	<u>\$ 21,865,000</u>
Unamortized bond premium*	2,630,063		
Deferred charge on refunding	<u>(311,912)</u>		
Total	<u>\$ 17,908,005</u>		

\* Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding bonds included a premium of \$2,817,925. This amount is amortized using the straight-line method. Amortization of \$187,862 was recognized during the 2006-07 year.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 8 – BONDS PAYABLE: (continued)**

**A. Proposition T (continued)**

2. Debt service requirements on the remaining portion of Series A bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 195,000	\$ 5,216	\$ 200,216
	<u>\$ 195,000</u>	<u>\$ 5,216</u>	<u>\$ 200,216</u>

3. Debt service requirements on the remaining portion of Series B bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 355,000	\$ 8,875	\$ 363,875
	<u>\$ 355,000</u>	<u>\$ 8,875</u>	<u>\$ 363,875</u>

4. Debt service requirements on the remaining portion of Series C bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 255,000	\$ 22,413	\$ 277,413
2009	270,000	30,800	300,800
2010	290,000	15,950	305,950
	<u>\$ 815,000</u>	<u>\$ 69,163</u>	<u>\$ 884,163</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 8 – BONDS PAYABLE: (continued)**

**B. Measure U**

1. On March 5, 2002, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$160,000,000. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing and equipping of District facilities. On August 1, 2002, the District issued Series A bonds for \$25,000,000. Interest rates range from 3.0% to 5.0% payable semiannually on February 1 and August 1.

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 650,000	\$ 674,513	\$ 1,324,513
2009	650,000	653,388	1,303,388
2010	650,000	632,263	1,282,263
2011	650,000	606,263	1,256,263
2012	650,000	580,263	1,230,263
2013-2017	3,280,000	2,501,138	5,781,138
2018-2022	3,510,000	1,757,838	5,267,838
2023-2027	3,960,000	838,538	4,798,538
2028	860,000	44,074	904,074
	<u>\$ 14,860,000</u>	<u>\$ 8,288,278</u>	<u>\$ 23,148,278</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 8 – BONDS PAYABLE: (continued)**

**B. Measure U (continued)**

2. On May 13, 2004 the District issued Series B bonds for \$21,675,000 of current interest bonds and \$324,971 of capital appreciation bonds. Interest rates range from 3.0% to 5.0% payable semiannually on May 1 and November 1.

Capital appreciation bonds were issued with maturity dates from May 1, 2027 through May 1, 2029. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued and included in long term debt at June 30, 2007 is \$924,429.

Debt service requirements for these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2008	\$ 585,000	\$ 844,025	\$	\$ 1,429,025
2009	610,000	820,625		1,430,625
2010	630,000	796,225		1,426,225
2011	655,000	772,600		1,427,600
2012	690,000	739,850		1,429,850
2013-2017	3,995,000	3,152,088		7,147,088
2018-2022	5,085,000	2,054,000		7,139,000
2023-2027	5,185,199	648,500	1,304,801	7,138,500
2028-2029	204,773		2,645,228	2,850,001
	<u>\$ 17,639,972</u>	<u>\$ 9,827,913</u>	<u>\$ 3,950,029</u>	<u>\$ 31,417,914</u>

3. On August 2, 2005 the District issued Series C bonds for \$22,690,000 of current interest bonds and \$67,309,923 of capital appreciation bonds. Interest rates range from 3.12% to 5.07% payable semiannually on August 1 and February 1.

Capital appreciation bonds were issued with maturity dates from August 1, 2007 through August 1, 2028. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued and included in long term debt at June 30, 2007 is \$3,965,509.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 8 – BONDS PAYABLE: (continued)**

**B. Measure U (continued)**

A portion of the proceeds was used to refund the outstanding balance of one of the District's COP's. The difference between the reacquisition price and the net carrying amount of the COP is recorded as a deferred charge of \$539,372 on the statement of net assets and amortized to interest expense over the life of the old debt. Amortization of \$33,711 was recognized during the 2006-07 year.

Debt service requirements for these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2008	\$ 2,572,427	\$ 1,134,500	\$ 207,748	\$ 3,914,675
2009	2,747,077	1,134,500	329,316	4,210,893
2010	2,909,292	1,134,500	476,594	4,520,386
2011	3,062,520	1,134,500	652,371	4,849,391
2012	3,202,739	1,134,500	856,285	5,193,524
2013-2017	16,522,514	5,672,500	7,725,142	29,920,156
2018-2022	15,375,739	5,672,500	14,797,303	35,845,542
2023-2027	14,913,126	5,672,500	23,443,529	44,029,155
2028-2031	28,694,489	3,461,500	9,525,502	41,681,491
	<u>89,999,923</u>	<u>\$ 26,151,500</u>	<u>\$ 58,013,790</u>	<u>\$ 174,165,213</u>
Unamortized bond premium*	1,343,768			
Deferred charge for refunding	<u>(471,950)</u>			
<b>Total</b>	<b><u>\$ 90,871,741</u></b>			

\* Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series C bonds included a premium of \$1,450,109. This amount is amortized using the straight-line method. Amortization of \$58,004 was recognized during the 2006-07 year.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 8 – BONDS PAYABLE: (continued)**

**B. Measure U (continued)**

4. On January 31, 2007 the District issued 2007 Series A bonds totaling \$11,999,987 of capital appreciation bonds. The bonds were issued with maturity dates from August 1, 2015 through August 1, 2031. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued and included in long term debt at June 30, 2007 is \$252,394.

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2008	\$	\$	\$ -
2009			-
2010			-
2011			-
2012			-
2013-2017	2,662,757	1,187,243	3,850,000
2018-2022	3,999,838	3,623,534	7,623,372
2023-2027	3,116,091	3,946,063	7,062,154
2028-2032	2,221,301	3,838,173	6,059,474
Total	<u>\$ 11,999,987</u>	<u>\$ 12,595,013</u>	<u>\$ 24,595,000</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 8 – BONDS PAYABLE: (continued)**

**C. Measure S**

1. On November 2, 2004, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$135,000,000. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing and equipping of District facilities. On May 1, 2005, the District issued Series A bonds for \$58,000,000. Interest rates range from 3.5% to 5.25% payable semiannually on May 1 and November 1.

On January 31, 2007 the District issued 2004 Election, 2007 Refunding Series C bonds for \$15,660,000 of current interest bonds and \$24,404,768 of capital appreciation bonds. The interest rate is 5.0% payable semiannually on August 1 and February 1.

Capital appreciation bonds were issued with maturity dates from August 1, 2007 through August 1, 2014. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued and included in long term debt at June 30, 2007 is \$1,446,921.

The proceeds were placed into an irrevocable escrow account and will be used to fund the future required principal and interest payments of the refunded bonds. The refunded bonds are considered in-substance defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding is a savings of cash outflow of approximately \$10 million. The present value of the economic gain to the District amounts to approximately \$7.1 million. The balance of the bonds refunded was \$573,930 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net assets and amortized to interest expense over the life of the new debt. Amortization of \$30,207 was recognized during the 2006-07 year. The balance of the in-substance defeased debt as of June 30, 2007 is \$40,065,000; approximately \$42.4 million was in an escrow account at June 30, 2007 to pay off this debt.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 8 – BONDS PAYABLE: (continued)**

**C. Measure S (continued)**

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2008	\$ 519,145	\$ 361,050	\$ 30,855	\$ 911,050
2009	4,844,942	783,000	970,058	6,598,000
2010	4,055,455	783,000	1,459,545	6,298,000
2011	3,579,290	783,000	1,935,710	6,298,000
2012	3,244,969	783,000	2,420,031	6,448,000
2013-2017	<u>23,820,967</u>	<u>3,574,250</u>	<u>10,134,033</u>	<u>37,529,250</u>
	40,064,768	<u>\$ 7,067,300</u>	<u>\$ 16,950,232</u>	<u>\$ 64,082,300</u>
Unamortized bond premium*	10,861,069			
Deferred charge on refunding	<u>(543,724)</u>			
Total	<u>\$ 50,382,113</u>			

\* Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding bonds included a premium of \$11,464,462. This amount is amortized using the straight-line method. Amortization of \$603,393 was recognized during the 2006-07 year.

2. Debt service requirements on the remaining portion of Series A bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,325,000	\$ 562,762	\$ 1,887,762
2009	1,385,000	503,138	1,888,138
2010	1,450,000	433,887	1,883,887
2011	1,500,000	383,137	1,883,137
2012	1,555,000	330,637	1,885,637
2013-2015	<u>5,175,000</u>	<u>249,000</u>	<u>5,424,000</u>
	<u>\$ 12,390,000</u>	<u>\$ 2,462,561</u>	<u>\$ 14,852,561</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 9 – LONG-TERM DEBT:**

A schedule of changes in long-term debt for the year ended June 30, 2007 is shown below:

	Balance June 30, 2006*	Additions	Deletions	Balance June 30, 2007	Amount Due in One Year
Compensated Absences	\$ 4,617,729	\$ 567,162	\$	\$ 5,184,891	\$ 1,353,762
Capital Leases	337,032		310,455	26,577	26,577
Certificates of Participation	29,075,792		958,540	28,117,252	1,023,540
General Obligation Bonds	199,985,830	81,028,875	63,597,887	217,416,818	7,958,400
Accreted Interest	1,903,284	5,266,931		7,170,215	
<b>Total</b>	<b>\$ 235,919,667</b>	<b>\$ 86,862,968</b>	<b>\$ 64,866,882</b>	<b>\$ 257,915,753</b>	<b>\$ 10,362,279</b>

\*During 2006-07, it was determined that compensated absences should be classified as a long-term liability; therefore, the beginning long-term debt balance is increased for the 2005-06 amount which was included in current liabilities.

**NOTE 10 - EMPLOYEE RETIREMENT PLANS:**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS) and part-time, seasonal and temporary employees and employees not covered by STRS or PERS are members of the Public Agency Retirement System (PARS).

**State Teachers' Retirement System (STRS)**

**Plan Description**

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



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**State Teachers' Retirement System (STRS) (continued)**

**Funding Policy**

Active plan members are required to contribute 8.0% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-07 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**Public Employees' Retirement System (PERS)**

**Plan Description**

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

**Funding Policy**

Active plan members are required to contribute 7.0% 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 average required employer contribution for fiscal year 2006-07 was 9.124% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**Contributions to STRS and PERS**

The District's contributions to STRS and PERS for each of the last three fiscal years is as follows:

Year Ended <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2005	\$3,509,146	100%	\$2,447,008	100%
2006	3,728,679	100%	2,646,388	100%
2007	4,218,007	100%	2,846,873	100%

**NOTE 11 - RETIREE BENEFITS:**

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. Medical, dental and vision benefits are paid to retirees up until the age of 65. The District contributes 100% of the amount of premiums incurred by retirees and their dependents. For all retirees above the age of 65, medical benefits are paid, not-to-exceed a maximum amount determined by the District, for life. Currently, 308 employees meet those eligibility requirements. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis when premiums are paid. During the year, the approximate expenditures for the retirees health care benefits were \$1,771,808. For 2007-08, \$1,891,905 has been budgeted for these benefits.

The estimated total future liability of these benefits is \$70,252,797 as determined by an actuarial study performed in May 2006. However, this liability is not reflected within these financial statements, awaiting implementation of GASB Statement No. 45. See Note 16.

# SANTA MONICA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### NOTE 12 - JOINT POWERS AGREEMENT:

The Santa Monica Community College District participates in four joint powers agreement (JPA) entities; the Alliance of Schools for Cooperative Insurance Programs (ASCIP); the Southern California Community College District Joint Powers Agency (SCCCD-JPA); the Statewide Association of Community Colleges (SWACC); and the California Statewide Tax Authority (the Authority). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes, as explained below.

ASCIP provides its member with high quality, high value employee benefit programs and related services. Payments transferred to funds maintained under the JPA are expensed when made. Claim liabilities of the JPA are recomputed periodically by an actuary to produce current estimates that reflect trend and claim lag time.

SCCCD-JPA provides workers' compensation and retiree health insurance coverage for its six member districts. Payments transferred to funds maintained under the JPA are expensed when made. Based upon an actuarial study, District administrators are of the opinion that the procedures for accumulating and maintaining reserves are sufficient to cover future contingencies under potential workers' compensation claims; however, the reserve for retiree health insurance is not yet sufficient to cover future potential payments.

SWACC provides liability and property insurance for approximately nineteen community colleges. SWACC is governed by a Board comprised of a member of each of the participating districts. The board controls the operations of SWACC, including selection of management and approval of members beyond their representation on the Board. Each member shares surpluses and deficits proportionately to its participation in SWACC.

The Authority purchases delinquent ad valorem property taxes from school agencies in Los Angeles County to receive additional unrestricted revenues through financing of property tax delinquencies. The Authority is a pass-through entity and financial information is not available. For the fiscal year 2006-07, the District paid \$265,854 to the Authority.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 12 - JOINT POWERS AGREEMENT: (continued)**

Condensed financial information of ASCIP, SCCCD-JPA, and SWACC for the most current information available is as follows:

	ASCIP 6/30/2007 <u>(Unaudited)</u>	SCCCD-JPA 6/30/2007 <u>(Audited)</u>	SWACC 6/30/2007 <u>(Audited)</u>	
		Workers Compensation Insurance Fund	Retiree Health Insurance Fund	
Total assets	\$187,300,436	\$ 18,654,866	\$ 79,015,109	\$ 35,927,403
Total liabilities	<u>122,434,181</u>	<u>1,595,168</u>	<u>                    </u>	<u>18,039,163</u>
Retained earnings	<u>\$ 64,866,255</u>	<u>\$ 17,059,698</u>	<u>\$ 79,015,109</u>	<u>\$ 17,888,240</u>
Total revenues	\$162,002,583	\$ 8,057,780	\$ 8,812,136	\$ 9,834,727
Total expenditures	<u>135,225,055</u>	<u>7,652,344</u>	<u>871,682</u>	<u>4,110,902</u>
Net increase (decrease) in retained earnings	<u>\$ 26,777,528</u>	<u>\$ 405,436</u>	<u>\$ 7,940,454</u>	<u>\$ 5,723,825</u>

**NOTE 13 – FUNCTIONAL EXPENSE:**

	Salaries	Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Financial Aid	Depreciation	Total
Instructional Activities	\$ 49,352,834	\$ 10,675,295	\$ 785,036	\$	\$	\$ 60,813,165
Academic Support	9,152,670	2,420,298	1,573,968			13,146,936
Student Services	14,292,917	3,406,423	2,108,198			19,807,538
Operation & Maintenance of Plant	4,179,089	1,575,653	1,653,465			7,408,207
Institutional Support Services	10,314,149	4,724,535	3,609,251			18,647,935
Community Services & Economic Development	879,028	227,804	105,637			1,212,469
Ancillary Services & Auxiliary Operations	4,704,910	1,175,002	2,304,789			8,184,701
Physical Property & Related Acquisitions	132,512	45,174	21,548,479			21,726,165
Student Financial Aid				11,970,603		11,970,603
Depreciation Expense					3,650,830	3,650,830
	<u>\$ 93,008,109</u>	<u>\$ 24,250,184</u>	<u>\$ 33,688,823</u>	<u>\$ 11,970,603</u>	<u>\$ 3,650,830</u>	<u>\$ 166,568,549</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 14 – RESTATEMENT TO BEGINNING NET ASSETS:**

The beginning net assets were restated for \$1,188,935 to adjust for unrecognized prior year lottery revenue.

**NOTE 15 – COMMITMENTS AND CONTINGENCIES:**

**A. State and Federal Allowances, Awards and Grants**

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**B. Litigation**

The District is a defendant in various pending liability lawsuits. The outcome of the litigation is unknown at the present time. Any estimated possible judgment(s) against the District are either immaterial or unknown and are not reflected in these financial statements.

**C. Purchase Commitments**

As of June 30, 2007, the District had the following commitments with respect to construction costs for the following projects:

<u>Project</u>	
Shuttle Replacement Parking	\$ 1,205,569
Theater Arts Renovation	34,569
Liberal Arts North	229,363
Liberal Arts South	5,031,477
Music Complex	380,331
Performing Arts Center	<u>5,308,896</u>
Total	<u>\$12,190,205</u>

Projects will be funded through bond proceeds and State scheduled maintenance allocations.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE 16- SUBSEQUENT EVENT:**

**GASB Statement No. 45**

The Governmental Accounting Standards Board (GASB) has recently issued Statement No. 45 outlining new accounting standards for governmental agencies regarding other post-employment benefits. The statement will be effective for the District in fiscal year 2007-08. The statement requires governmental agencies to record and disclose the actuarially determined cost based on the benefits expected to be earned by employees in the future, as well as those benefits the employees have already earned. Annual required contributions shall include the employer's normal cost and a provision for amortizing the total unfunded actuarial accrued liability for a period not to exceed 30 years. The statement also requires that an actuarial valuation be performed every two years for a plan with more than 200 members and every three years for plans with fewer than 200 members.

**SUPPLEMENTARY INFORMATION**

## SANTA MONICA COMMUNITY COLLEGE DISTRICT

### HISTORY AND ORGANIZATION

June 30, 2007

The Santa Monica Community College District was established in 1929. There were no changes in the boundaries of the District during the current year. The District is currently operating one community college located in Santa Monica.

### BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Susan Aminoff	Chair	November 2008
Rob Rader	Vice Chair	November 2008
Dr. Nancy Greenstein	Member	November 2010
Dr. Margaret Quiñones-Perez	Member	November 2008
Louise Jaffe	Member	November 2010
Judge David B. Finkel (Ret)	Member	November 2010
Dr. Andrew Walzer	Member	November 2010
Adel Morad	Student Trustee	June 2008

### ADMINISTRATION

Dr. Chui L. Tsang	Superintendent/ President
Randal Lawson	Executive Vice President
Brenda Benson	Acting Vice President, Student Affairs
Marvin Martinez	Vice President, Planning and Development
Teresita Rodriguez	Vice President, Enrollment Development
Jeffery Shimizu	Vice President, Academic Affairs
Marcia Wade	Vice President, Human Resources



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For Fiscal Year Ended June 30, 2007

	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
<b>Student Financial Aid Cluster:</b>			
Direct from Department of Education:			
Financial Aid Administrative Allowances	84.000	N/A	\$ 100,211
Supplemental Education Opportunity Grant (SEOG)	84.007	N/A	766,058
Federal Work Study	84.033	N/A	433,956
Academic Competitive Grant	84.375	N/A	45,875
Pell Grant	84.063	N/A	<u>9,238,015</u>
Total Student Financial Aid Cluster			<u>10,584,115</u>
<b>Department of Commerce</b>			
Direct:			
Corporation for Public Broadcasting	11.000	N/A	1,211,788
National Institute of Standards and Technology:			
Summer Undergraduate Research Fellowship	11.609	N/A	<u>5,334</u>
Total Department of Commerce			<u>1,217,122</u>
<b>Department of Education:</b>			
Direct:			
Hispanic - Serving Institution Program (H.S.I.):			
Instructional Grant (Title V)	84.031S	N/A	590,415
Supporting Student Success in Pre-Transfer Mathematics (Title V)	84.031S	N/A	356,351
TRIO - Student Support Services	84.042	N/A	270,309
Child Care Access Means Parents in School (CCAMPIS)	84.335A	N/A	<u>14,996</u>
Subtotal Direct Programs			<u>1,232,071</u>
Passed through Chancellor's Office of the California Community Colleges:			
Vocational and Applied Technology Education Act (VTEA):			
Education Act (Title I.C.)	84.048	03577	416,737
Tech Prep Education	84.243	N/A	66,682
Passed through El Camino College:			
Hispanic - Serving Institution Program (H.S.I.):			
Preparing Tomorrow's Teachers Today (Title V CO-OP)	84.031S	N/A	315,052
Passed through The Regents of the University of California:			
Teacher Quality Improvement Grant	84.336	N/A	<u>97,842</u>
Subtotal Pass Through Programs			<u>896,313</u>
Total Department of Education			<u>2,128,384</u>
<b>Department of Health and Human Services</b>			
Passed through Chancellor's Office of the California Community Colleges:			
Temporary Assistance for Needy Families (TANF)	93.558	N/A	83,556
<b>Department of Labor:</b>			
Direct:			
Community Based Job Training Grant	17.261	N/A	514,443
<b>National Aeronautics and Space Administration</b>			
Passed through United Negro College Fund Special Programs Corporation:			
Curriculum Improvement Partnership II (CIPA II)	43.000	N/A	134,120
Research Apprenticeship Program	43.000	N/A	8,710
<b>National Endowment for Arts and the Humanities</b>			
Direct:			
National Endowment for the Arts	45.024	N/A	20,000
<b>Small Business Administration</b>			
Passed through Long Beach Community College District:			
Small Business Development Center (SBDC)	59.037	N/A	178,139
			<u>\$ 14,868,589</u>

N/A - Pass-through number is either not available or not applicable

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS  
For the Fiscal Year Ended June 30, 2007

	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income	Total	
Matriculation (Credit)	\$ 1,424,917	\$	\$ 97,588	\$ 1,327,329	\$ 1,327,329
Matriculation (Non Credit)	51,470			51,470	51,470
Extended Opportunity Program and Services (EOPS)	1,273,148		15,760	1,257,388	1,257,388
Cooperative Agencies Resources for Education (CARE)	103,889			103,889	103,889
Disabled Student Program and Services (DSPS)	1,641,379		34,874	1,606,505	1,606,505
Economic Development (Job Development Incentive)	252,000		116,038	135,962	135,962
Block Grant	102,599		91,667	10,932	10,932
Instructional Equipment - Block Grant	368,938		174,207	194,731	194,731
Telecommunications Technology Infrastructure Program	149,607		91,899	57,708	57,708
Tech Prep Model Pathway Demo Project	33,008	55,485		88,493	88,493
Transfer and Articulation	11,373		4,925	6,448	6,448
Faculty and Staff Diversity	58,863		17,791	41,072	41,072
Staff Development	96,761		59,458	37,303	37,303
Nursing Grant	106,937		55,316	51,621	51,621
CalWORKS	435,672		27,033	408,639	408,639
Launchpad/MCHS	37,174			37,174	37,174
Fostering Student Success Nursing Grant	45,740	171,191		216,931	216,931
Child Development Training	6,350		140	6,210	6,210
Arts Industry Standards Project	25,657	35,906		61,563	61,563
Beverage Container Recycling Program		7,681		7,681	7,681
Small Business Development Center	1,760			1,760	1,760
Financial Aid Administration	661,146			661,146	661,146
Career and Technical Education Equipment	767,226		116,002	651,224	651,224
Schedule of Maintenance - Ongoing	242,694		81,031	161,663	161,663
Instructional Equipment and Library	905,719		537,801	367,918	367,918
Schedule of Maintenance and Repair	905,719		147,144	758,575	758,575
Basic Skills Funding	1,071,889		1,064,938	6,951	6,951
CAHSEE Preparation Program	89,409		75,075	14,334	14,334
Industry Driven Regional Collaborative	252,000		26,120	225,880	225,880
<b>Total State Programs</b>	<b>\$ 11,123,044</b>	<b>\$ 270,263</b>	<b>\$ 2,834,807</b>	<b>\$ 8,558,500</b>	<b>\$ 8,558,500</b>

See the accompanying notes to the supplementary information.

**Santa Monica Community College**

**SCHEDULE OF WORKLOAD MEASURE FOR STATE GENERAL APPORTIONMENT  
ANNUAL (ACTUAL) ATTENDANCE  
For the Fiscal Year Ended June 30, 2007**

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
<b>A. Summer Intersession (Summer 2006 only)</b>			
1. Noncredit <sup>1</sup>	97.39		97.39
2. Credit	1,552.22		1,552.22
<b>B. Summer Intersession (Summer 2007 - Prior to July 1, 2007)</b>			
1. Noncredit <sup>1</sup>	N/A		N/A
2. Credit	2,347.00		2,347.00
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,092.72		13,092.72
(b) Daily Census Contact Hours	4,258.75		4,258.75
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit <sup>1</sup>	648.40		648.40
(b) Credit	58.76		58.76
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	16.09		16.09
(b) Daily Census Contact Hours	2.36		2.36
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
<b>D. Total FTES</b>	<u>22,073.69</u>		<u>22,073.69</u>
<b>Supplemental Information (subset of above information)</b>			
E. In-Service Training Courses (FTES)	N/A		
<b>H. Basic Skills courses and Immigrant Education</b>			
(a) Noncredit <sup>1</sup>	50.65		
(b) Credit	1,897.62		
<b><u>CCFS 320 Addendum</u></b>			
CDCP Noncredit FTES	60.99		
<b>Centers FTES</b>			
(a) Noncredit	3.20		
(b) Credit	1,060.85		

<sup>1</sup> Including Career Development and College Preparation (CDCP) FTES  
N/A - Workload Measure is not applicable

See the accompanying notes to the supplementary information.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Auxiliary Funds</u>
June 30, 2007 Annual Financial and Budget Report Fund Balance	\$ <u>15,960,596</u>	\$ <u>2,604,032</u>
Adjustments and Reclassifications:		
Post Closing Entries		81,974
Under Statement of Accounts Receivable	<u>154,478</u>	<u>81,974</u>
Net Adjustments and Reclassifications	<u>154,478</u>	<u>81,974</u>
June 30, 2007 Audited Financial Statements Fund Balance	\$ <u>16,115,074</u>	\$ <u>2,686,006</u>

Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

Notes:

The Chancellor's Office does not require the Certificates of Participation be recorded on the books of the District; therefore, the COPs Capital Projects Fund was not reported on the CCFS-311.

See the accompanying notes to the supplementary information.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2007**

**NOTE 1 - PURPOSE OF SCHEDULES:**

**A. Schedules of Expenditures of Federal Awards and State Financial Assistance**

The audit of the Santa Monica Community College District for the year ended June 30, 2007 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared for the Santa Monica Community College District on the modified accrual basis of accounting.

**B. Schedule of Workload Measure for State General Apportionment**

The Schedule of Workload Measure for State General Apportionment represents the basis of apportionment of the Santa Monica Community College District's annual source of funding.

**C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited fund balances.



**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**

The Board of Trustees  
Santa Monica Community College District  
1900 Pico Boulevard  
Santa Monica, California 90405-1628

We have audited the financial statements of Santa Monica Community College District (the District) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Santa Monica Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

**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**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 07-1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Monica Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 07-2.

Santa Monica Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

**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**

This report is intended solely for the information and use of management, the Board, the California Department of Finance and the State Chancellor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Vicenti, Lloyd & Stutzman LLP*

VICENTI, LLOYD & STUTZMAN LLP

December 14, 2007





**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Trustees  
Santa Monica Community College District  
1900 Pico Boulevard  
Santa Monica, California 90405-1628

Compliance

We have audited the compliance of Santa Monica Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was to the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, the California Department of Finance and the State Chancellor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Vicenti, Lloyd & Stutzman LLP*

VICENTI, LLOYD & STUTZMAN LLP

December 14, 2007



## REPORT ON STATE COMPLIANCE

The Board of Trustees  
Santa Monica Community College District  
1900 Pico Boulevard  
Santa Monica, California 90405-1628

We have audited the basic financial statements of Santa Monica Community College District, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007.

Our examination was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the State Department of Finance's 2007 transmittal of audit requirements for community colleges. The objective of the examination of compliance applicable to Santa Monica Community College District is to determine with reasonable assurance, based on the suggested audit procedures:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- Whether the District has the appropriate documentation to support the FTES, if any, that are claimed for instructional service agreements/contracts.
- Whether the District has the ability to support timely accurate and complete information for workload measures used in the calculation of State General Apportionment.
- Whether the District has acted to ensure that the residency of each student is properly classified and that only the attendance of California resident students is claimed for apportionment purposes.

## REPORT ON STATE COMPLIANCE

- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- Whether District has complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- Whether the District had local funds to support at least 75 percent of the credit matriculation activities and that all matriculation expenditures are consistent with the District's State approved matriculation plan.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District is reporting the total amount that students should have paid for enrollment fees for the purpose of determining the District's share of annual apportionment.
- Whether the District expended CalWORKs program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKs students.
- Whether the District spent an amount equal to or greater than the amount provided by the State for scheduled maintenance and special repairs. Funds provided by the State must be to supplement, not supplant, District scheduled maintenance funds. The amount expended for plant maintenance and operations during the base year of 1995-96 was \$5,506,903.
- Whether all District courses that qualify for State apportionment are open to enrollment by the general public unless specifically exempted by statute.
- Whether the District has adopted regulations consistent with the "Standards of Scholarship" contained in the California Code of Regulations and has published statements of those regulations in the College catalog.
- Whether the District has adopted policies or regulations regarding the authority of the District to require students to provide various types of instructional materials and whether the District has advised students of the exemptions from payment of health fees and established a process to ensure that students may claim the exemptions.

In our opinion, except for finding 07-2 described in the accompanying schedule of findings and questioned costs, Santa Monica Community College District complied with the compliance requirements for the state programs listed and tested above. Nothing came to our attention as a result of the aforementioned procedures to indicate that Santa Monica Community College District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

## REPORT ON STATE COMPLIANCE

Santa Monica Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

This report is intended solely for the information and use of management, the Board, the California Department of Finance and the State Chancellor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

December 14, 2007

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF AUDITOR RESULTS**  
**AS REQUIRED UNDER FEDERAL OMB CIRCULAR A-133**  
**June 30, 2007**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weaknesses identified?      Yes   X   No  
 Significant deficiencies identified not considered  
 to be material weaknesses?   X   Yes      None reported

Noncompliance material to financial statements noted?      Yes   X   No

*Federal Awards*

Internal control over major programs:  
 Material weaknesses identified?      Yes   X   No  
 Significant deficiencies identified not considered  
 to be material weaknesses?      Yes   X   None reported

Type of auditor's report issued on compliance for  
 major programs: Unqualified

Any audit findings disclosed that are required to be  
 Reported in accordance with Circular A-133,  
 Section .510(a)      Yes   X   No

*Identification of major programs tested*

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.000, 84.007, 84.033, 84.375 and 84.063	Student Financial Assistance Cluster of Programs
17.261	Community Based Job Training Grant
11.000	Corporation for Public Broadcasting
84.031S	Hispanic Serving Institutions Programs – Supporting Student Success in Pre-Transfer Mathematics (Title V)

Dollar threshold used to distinguish between Type A  
 and Type B programs: \$ 446,058

Auditee qualified as low-risk auditee?   X   Yes      No

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO FINANCIAL STATEMENTS**

**June 30, 2007**

Note: Each of the findings and recommendations below include details about the criteria or specific requirements, the condition, the effect and the cause. Questioned costs, if applicable are listed separately. The district response that follows the finding is the District's corrective action plan.

**FINDING # 07-1 – ANTIFRAUD PROGRAM**

**Finding:** In accordance with the auditing standard (SAS 99) related to audit planning and fraud risk assessment, we were required to assess the organization's anti-fraud program. Although the District has some processes in place, additional controls and policies would strengthen the District's program and bring it into alignment with the recommendations published by the American Institute of Certified Public Accountants, in their document entitled "Management Antifraud Programs and Controls: Guidance to Help Prevent, Deter, and Detect Fraud". The following recommendations are the result of interviews with a sample of management and employees regarding the culture of the organization and the intricacies of the current antifraud program.

**Questioned Costs:** Not applicable

**Recommendation:** We encourage the District to consider the following:

- 1) Adopt an organizational-wide code of ethics, which is permeated throughout the organization at least annually. It is important to provide a Board approved written document to promote honest and ethical conduct. This should be effectively communicated to employees through annual confirmation, training and management oversight.
- 2) Incorporate a formal, anonymous mechanism for reporting concerns about fraud. This should include a documented process for the receipt, retention and treatment of complaints that is confidential and anonymous.

**District Response:** In addition to the Board of Trustees Code of Ethics (Board Policy 1230), both the faculty and managers have developed ethics statements. The Faculty Statement on Professional Ethics was developed by the Academic Senate Professional Ethics Committee and adopted by the Academic Senate in March 2002. The Management Association developed and adopted an ethics statement in the same year. Although these three documents share common elements, it is true that there is currently no single code of ethics governing all District operations.

The Superintendent/President will ask the District Planning and Advisory Council to develop recommended language for a District Code of Ethics to be incorporated into Section 2000 of Administrative Regulations. In addition to including elements common to the three existing documents, the recommendations published by the American Institute of Certified Public Accounts regarding antifraud programs will be considered. The College will also evaluate various alternative fraud reporting mechanisms to address SAS 99 requirements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO BASIC FINANCIAL STATEMENTS**

**June 30, 2007**

**FINDING # 07-2 – STATE COMPLIANCE – STUDENT FEES: INSTRUCTIONAL  
MATERIAL FEES**

**Finding:** Pursuant to California Code of Regulations Sections 59400-59408, districts may require students to purchase instructional materials from the district. However, the district must be able to justify requiring the student to purchase the materials from it and ensure that students are not charged more than the District's actual cost of materials. During our testing, we noted that the District does not have support to substantiate the amount of instructional material fees charged. The District may have conducted a cost analysis in the past; however, documentation of this was not available. As a result, students could potentially be over charged for the materials they are required to purchase.

**Questioned Costs:** Not Applicable

**Recommendation:** The District must adopt policies or regulations regarding the authority to require students to purchase various types of instructional materials. In addition, implement procedures to perform a cost analysis to ensure that students are not charged more than the District's actual cost.

**District Response:** Although the District has conducted cost analyses to justify all instructional materials fees currently in effect, this was last done in 1999, and the fees have not been adjusted since that time. Since the cost of materials has undoubtedly increased since the last analysis, it is highly unlikely that students are being overcharged.

The Office of Academic Affairs is currently developing a process for ensuring that the cost analysis for all instructional materials fees is updated on a regular, cyclical basis in accordance with Title 5, Section 51012. The results of the current analysis will be implemented for Fall 2008, and both the course catalog and the *Schedule of Classes* will be updated accordingly.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2007**

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2007.

SANTA MONICA COMMUNITY COLLEGE DISTRICT  
 STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
 June 30, 2007

Finding No.	Finding	Recommendation	Current Status
06-1	<p><u>MINIMUM CONDITIONS – “STANDARDS OF SCHOLARSHIP”</u></p> <p><b>Original finding 05-1</b></p> <p>District’s may claim apportionment for one repetition for the attendance of a student repeating a course in which a student receives a grade if the student is repeating the course to alleviate standard work, there were extenuating circumstances or there has been a significant lapse of time between attempts (CCR 58161). Districts may allow additional repetitions, however, they should not grant credit and should not report the students for apportionment purposes.</p> <p>We noted the following when reviewing course repetition procedures:</p> <ul style="list-style-type: none"> <li>Five of ten students tested had repeated a class more than the approved amount of repetitions and the FTES were not removed for apportionment reporting. The attendance system contains a screen allowing the user to indicate that the repeat class is not eligible for apportionment, however, in all cases, this screen was blank. We estimate that for the students tested, 7 classes were over reported. Assuming an average of 3 contact hours per week, we estimate the total over reported to be .68 FTES or \$2,600 for the sample tested. We are unable to determine the total population of ineligible repetitions to allow an extrapolation of the error rate. Therefore, an estimate of total questioned cost could not be determined.</li> </ul>	<ul style="list-style-type: none"> <li>Further investigate this situation to determine the amount of over reported FTES. Revise and resubmit the CCFS-320 report. Additionally, procedures to indicate ineligible repeats in the attendance system should be reviewed and the responsibilities revised as needed.</li> </ul>	Implemented.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2007**

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
06-1	<p><u>MINIMUM CONDITIONS – “STANDARDS OF SCHOLARSHIP” (continued)</u></p> <p><u>Original finding 05-1</u></p> <ul style="list-style-type: none"> <li>The individual class repetition limits were not consistent between the course catalog and schedule of classes and actual practice. We selected five students who had repeated a course with content that would appear to allow for a maximum of three repeats as indicated in CCR 58161(d). The course catalog did not indicate that the classes were eligible for three repeats for four of the classes tested, however, students were allowed to enroll more than twice without obtaining authorization from a counselor.</li> </ul>	<ul style="list-style-type: none"> <li>Revise the course catalog and schedule of classes to indicate classes eligible for three repeats.</li> </ul>	Implemented.
06-2	<p><u>STATE COMPLIANCE – CONCURRENT ENROLLMENT</u></p> <p>For all special admit K-12 students, the college should have on file an authorization form approving the student for enrollment that includes parental consent, the authorization of the high school principal and suggested course work. Two of ten students tested did not have the required authorization form on file.</p>	<p>Maintain authorization forms for all special admit K-12 students and have them available for audit purposes. Enrollment procedures for K-12 students should be reviewed to ensure that the required authorizations are obtained each semester before a student is allowed to enroll in classes.</p>	Implemented.

SANTA MONICA COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2007

Finding No.	Finding	Recommendation	Current Status
06-3	<p><b><u>NONCREDIT COURSES</u></b></p> <p>The District was directed by the State Chancellor's Office to complete a self-assessment on all noncredit courses for the 2003-04 academic year. Assessments for computer/library lab noncredit courses were required to be submitted to the Chancellor's Office, however, the remaining self-assessment checklists were to be maintained on file at the District. The District did not complete these self-assessments for any courses.</p>	<p>The District should complete the self-assessments for the non-credit courses that were in effect during the 2003-04 academic year for the fiscal year 2004-05.</p>	Implemented.