

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**LOS ANGELES COUNTY**

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

**June 30, 2011**



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**AUDIT REPORT**

**June 30, 2011**

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**AUDIT REPORT**

**June 30, 2011**

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## INDEPENDENT AUDITOR'S 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, 2011 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, 2011, 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, 2011 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

Accounting principles generally accepted in the United States of America require that the required supplementary information such as management's discussion and analysis, and the schedule of postemployment health care benefits funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Santa Monica Community College District financial statements as a whole. The supplementary schedules and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the 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 financial statements of Santa Monica Community College District. The supplementary section, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

  
VICENTI, LLOYD & STUTZMAN LLP

December 14, 2011

# **SANTA MONICA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

### **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, 2011. 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 the fiscal year 2001-02 using the Business Type Activity (BTA) model. The California Community College Chancellor's Office (CCCCO), 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.

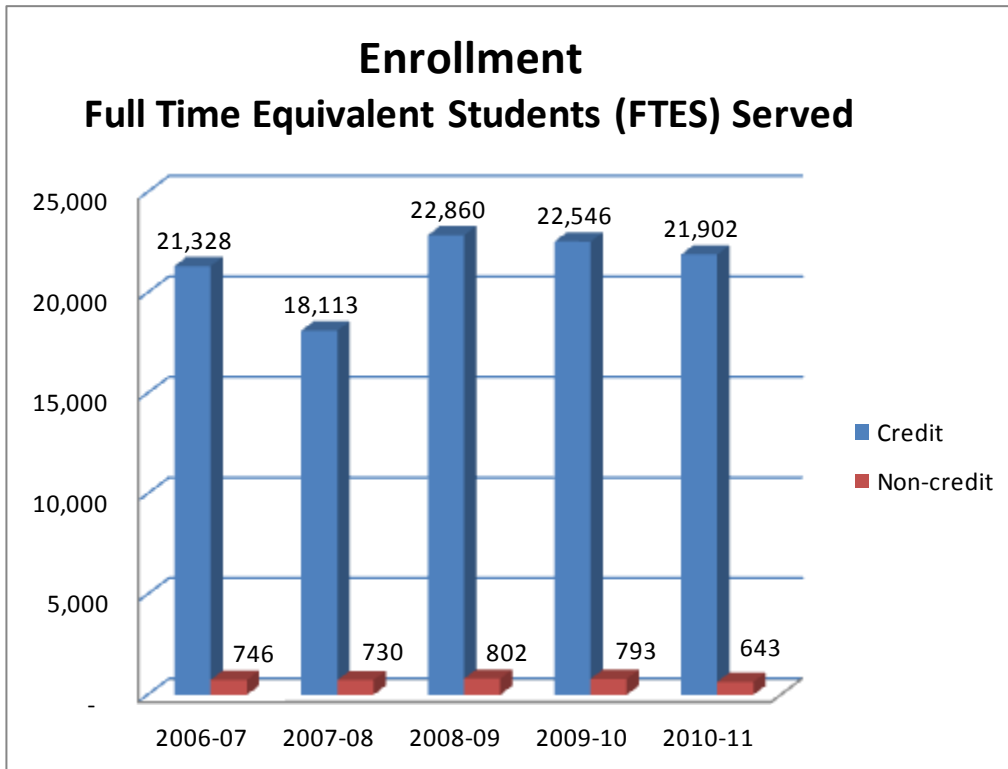
**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

**Full-time Equivalent Students**

During 2010-11, total Full-Time Equivalent Students (FTES) served decreased from 23,339 to 22,545 (approximately 3.4%). Since the State funded only 22,055 FTES, Santa Monica College was able to serve approximately 490 more Full-Time Equivalent Students than funded by the State.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

**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.

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, 2011**

The Statements of Net Assets as of June 30, 2011 and June 30, 2010 are summarized below:

	(in thousands)	(in thousands)	
	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 193,276	\$ 202,416	-5%
Receivables	31,490	27,558	14%
Due from fiduciary funds	2,957	2,461	20%
Inventories	2,603	1,684	55%
Prepaid expenses	1,306	2,489	-48%
Prepaid issue costs - current portion	219	219	0%
Total current assets	<u>231,851</u>	<u>236,827</u>	-2%
Non-current assets			
Restricted cash and cash equivalents	26,970	22,896	18%
Prepaid issue costs - non-current portion	2,064	2,283	-10%
Long-term investments	1,073	1,088	-1%
Capital assets, net of accumulated depreciation	<u>331,968</u>	<u>322,970</u>	3%
Total non-current assets	<u>362,075</u>	<u>349,237</u>	4%
<b>TOTAL ASSETS</b>	<u>593,926</u>	<u>586,064</u>	1%
<b>LIABILITIES</b>			
Current liabilities			
Bank overdraft	2,873	1,003	186%
Accounts payable and accrued liabilities	18,558	16,199	15%
Due to fiduciary funds	208	262	-21%
Deferred revenue	9,405	9,622	-2%
Compensated absences - current portion	969	966	0%
Long-term liabilities - current portion	<u>18,155</u>	<u>15,814</u>	15%
Total current liabilities	<u>50,168</u>	<u>43,866</u>	14%
Non-current liabilities			
Long-term liabilities less current portion	<u>412,656</u>	<u>417,849</u>	-1%
Total non-current liabilities	<u>412,656</u>	<u>417,849</u>	-1%
<b>TOTAL LIABILITIES</b>	<u>462,824</u>	<u>461,715</u>	0%
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	95,499	85,790	11%
Restricted	33,515	26,282	28%
Unrestricted	<u>2,088</u>	<u>12,634</u>	-83%
<b>TOTAL NET ASSETS</b>	<u>\$ 131,102</u>	<u>\$ 124,706</u>	5%

## SANTA MONICA COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

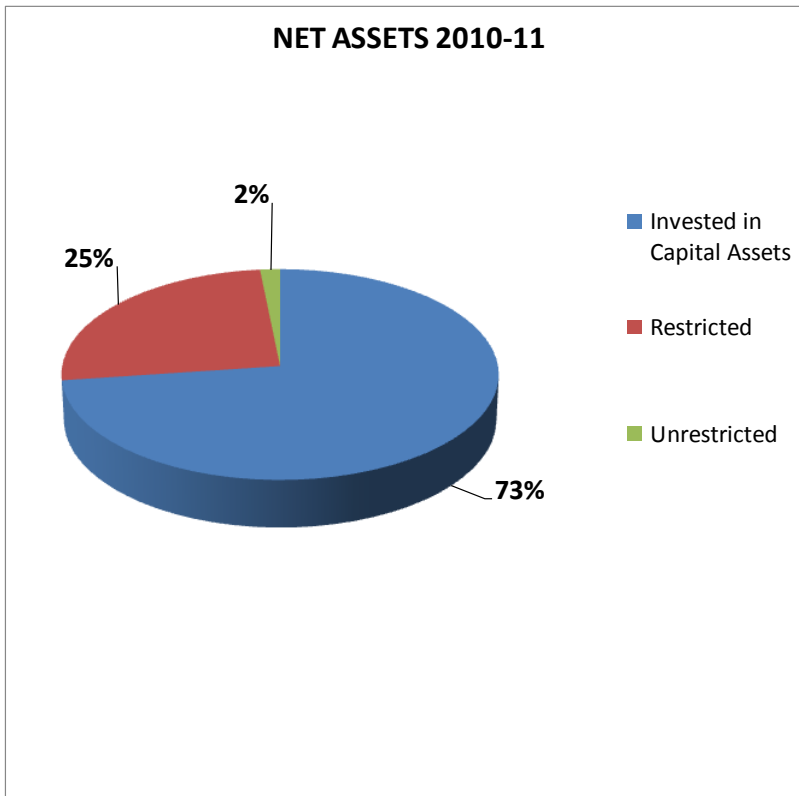
- There was a 5% decrease in Cash and Cash Equivalents. This decrease was mainly caused by the decrease in cash and cash equivalents in the Bond funds related to pre-construction, construction and property acquisition expenses. A major portion of the cash balance is cash deposited in the Los Angeles County Treasury. Further discussion is located in the section labeled "Statement of Cash Flows," along with an additional explanation of changes in cash balances.
- Due to state cash flow and budget issues, the state increased its deferral of apportionment payment to the Community College System from \$703 million in 2009-10 to \$832 million in 2010-11. This increase in deferment is primarily responsible for the 14% increase in Receivables. In 2011-12, the District received the deferred apportionment payment in whole.
- Amounts due from Fiduciary Funds increased 20% as a result of reimbursements/transfers that were still in transit at year end from the following programs: Big Blue Bus "Any Line Any Time" program, Broad Stage and KCRW. In 2011-12, the District received the reimbursements/transfers in whole.
- The District's inventories increased 55% mainly due to an increase in Bookstore stock. Any excess Bookstore inventory is returned to the vendor at cost.
- In 2010-11 the District did not prepay its Workers' Compensation insurance as it had in the prior year resulting in a 48% decrease in prepaid expenses.
- Restricted cash and cash equivalents increased as a result of increased property tax collections related to prior year bond issuances and the collection of Build America Bond subsidies authorized under the American Recovery and Reinvestment Act (ARRA).
- Compared with 2009-10, capital assets net of accumulated Depreciation had a net increase of approximately 3%. The ongoing construction and project completion of the following major construction projects represented most of the increase: Student Services and Administration Complex; Photovoltaic System; Energy Savings Retrofit Projects; Madison East Wing Seismic Upgrade; Pico Property Acquisition; Replacement Health, PE, Fitness, Dance Building with Central Plant; Media Technology Complex at AET; Infrastructure and Technology Relocation Project; and Community Classroom and Facility Project. The "Capital Assets and Debt Administration" section of this discussion and analysis provides greater detail.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

- The Bookstore fund has a bank overdraft balance of \$2.873 million at June 30, 2011. The overdraft, in reality, is a loan from other funds and increased primarily as a result of purchasing inventory for the Summer and Fall semesters.
- In 2009-10 the District issued general obligation bonds under Measure AA (Series A and A-1). The accrual of interest payments related to this new issuance resulted in an increase in accounts payable of 15%.
- Long-term liabilities – current portion increased by 15% as a result of an increase in principal payments related to general obligation debt issued under Measure AA.
- Non-current liabilities decreased by 1%, primarily as a result of the net effect of the retirement of debt related to general obligation bonds and an increase in liabilities related to other post-employment benefits.
- While total net assets increased 5% from prior year unrestricted net assets decreased by 83% mainly as a result of the recognition of additional non-current long term liability related to other post-employment benefits.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

**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 2009-10 and 2010-11 is provided on the following page.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

The Statements of Revenues, Expenses and Change in Net Assets for the years ended June 30, 2011 and June 30, 2010 are summarized below:

	(in thousands)	(in thousands)	
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Operating Revenues			
Net enrollment, tuition and other fees	\$ 38,998	\$ 37,958	3%
Grants and contracts, non-capital	46,917	37,544	25%
Auxiliary enterprise sales and charges, net	<u>7,828</u>	<u>8,390</u>	-7%
Total operating revenues	<u>93,743</u>	<u>83,892</u>	12%
Operating Expenses			
Salaries and benefits	139,130	136,246	2%
Supplies, materials and other operating expenses and services	28,003	29,572	-5%
Financial aid	31,343	23,116	36%
Utilities	3,025	3,171	-5%
Depreciation	<u>5,542</u>	<u>4,986</u>	11%
Total operating expenses	<u>207,043</u>	<u>197,091</u>	5%
Operating loss	<u>(113,300)</u>	<u>(113,199)</u>	0%
Non-operating revenues			
State apportionments, non-capital	84,400	81,857	3%
Local property taxes	14,314	13,328	7%
State taxes and other revenues	4,200	3,980	6%
Investment income, net	267	280	-5%
Contributions, gifts and grants, non-capital	<u>4,637</u>	<u>3,624</u>	28%
Total non-operating revenues	<u>107,818</u>	<u>103,069</u>	5%
Other revenues, expenses, gains or (losses)			
Interest expense on capital-related debt	(23,469)	(15,060)	56%
Investment income, capital	2,563	2,024	27%
Local property taxes and revenues, capital	<u>32,784</u>	<u>21,737</u>	51%
Total other revenues, expenses, gains or losses	<u>11,878</u>	<u>8,701</u>	37%
Change in net assets	<u>6,396</u>	<u>(1,429)</u>	548%
Net assets, beginning of year	<u>124,706</u>	<u>126,135</u>	-1%
Net assets, end of year	<u>\$ 131,102</u>	<u>\$ 124,706</u>	5%

## SANTA MONICA COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

- An increase in the collection of non-resident tuition resulted in a 3% increase in net enrollment, tuition and other fees over the prior year.
- Grants and contracts, non-capital increased 25% from prior year primarily as a result of increased funding associated with Federal Financial Aid programs.
- Due to a reduction in the class schedule and increased competition from outside vendors the Bookstore realized a reduction in sales of approximately \$560 thousand resulting in a decline in Auxiliary Enterprise Sales and Charges, net of 7% from prior year.
- Salary and benefit increases were mainly driven by increased benefit costs and the recognition of additional expense related to unfunded other post-employment benefit liabilities. (See Note 11 in the accompanying financial statements for further details)
- Operating expenses related to Financial Aid increased 36% from prior year primarily as a result of an increase to the federal Pell grant maximums, which increased from \$5,350 per student to \$5,550 per student, in addition to an increased number of eligible applicants. While the District provides a match to some financial aid programs, the majority of the funding for these programs originated from sources outside the District.
- Utility related expenditures decreased 5% from 2009-10. This decrease is generally a result of energy conservation and sustainability efforts by the District including: installation of an electric photovoltaic power supply, an upgrade to the power control systems in the Science building, increased maintenance efforts to increase equipment efficiency and the development of a power usage schedule for lighting and climate control. The District believes these projects coupled with previously completed energy system retrofitting efforts will continue to help mitigate some of the future escalations in utility costs.
- While the District was able to reduce discretionary spending in the areas of supplies, materials and other operating expenses, increases in salaries and benefits, financial aid and depreciation resulted in an overall increase in Total Operating Expenses of 5%.

## SANTA MONICA COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

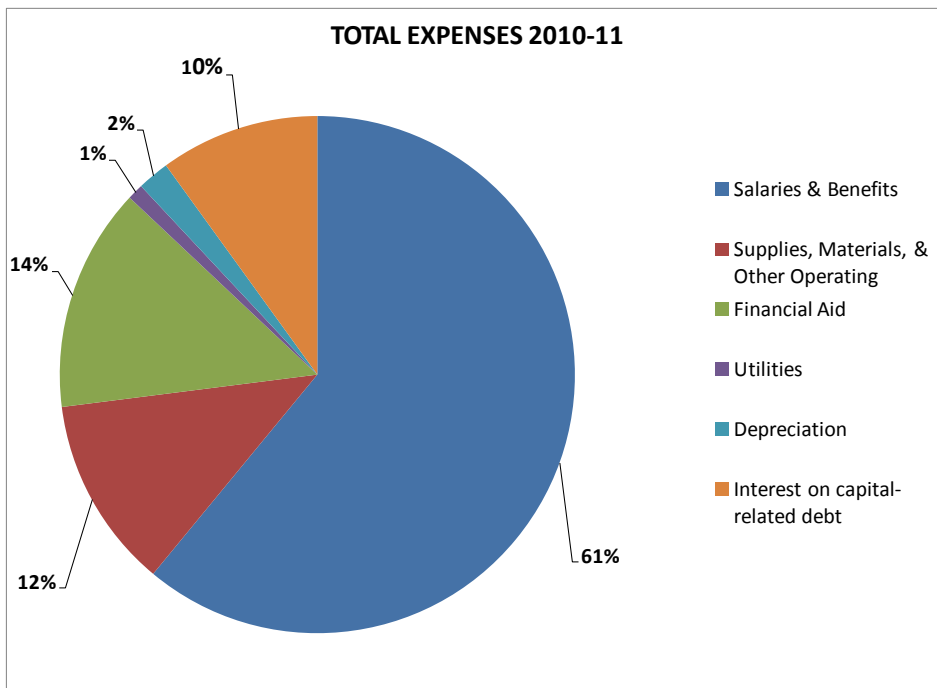
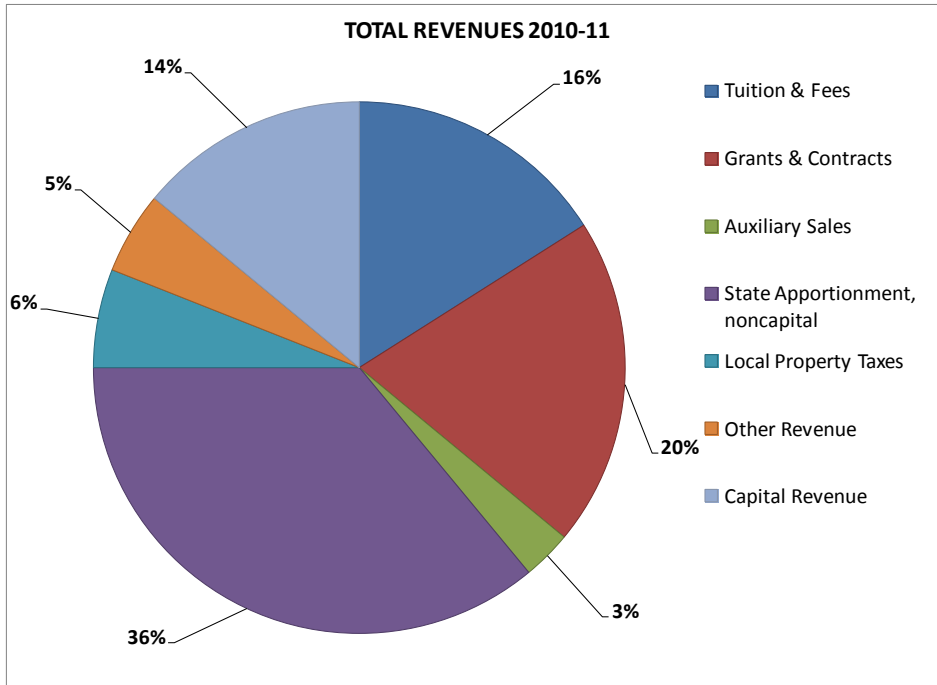
June 30, 2011

- State apportionments, non-capital are generated based on the Full-Time Equivalent Students (FTES) reported to the state by the District. State principal apportionment, technically defined as total general revenue, is a workload calculation that is funded by property taxes, enrollment fees, and apportionment. If property taxes or enrollment fees declines, the apportionment increases to cover the shortage, if state funding is available. The inverse is also true, so any increase in tax receipts or enrollment fees would lower the apportionment. In 2010-11 the state provided additional funding in the form of “growth” which resulted in a 3% increase in state apportionments, non-capital.
- Local property taxes are received through the Auditor-Controller’s Office for Los Angeles County. There was a 7% increase in Local Property Tax revenues in 2010-11, due primarily to increases in funding from ERAF (Education Revenue Augmentation Fund) and a greater than expected Secured Tax Roll. In relationship to state apportionment the amount received for property taxes is deducted from the total state apportionment amount for general revenue calculated by the State for the District. Any increase/decrease in property taxes would not necessarily result in an increase/decrease in net revenue.
- State taxes and other revenues increased approximately 6% as a result of an increase in lottery revenue and the receipt of a one-time mandated cost reimbursement.
- Contributions, gifts and grants, non-capital increased by 28% primarily as a result of increased donations related to KCRW and Emeritus College.
- Interest expense on capital-related debt increased 56% primarily as a result of the interest payments related to the 2009-10 issuance of general obligation bonds, authorized under Measure AA.
- Investment income, capital increased \$500 thousand (27%) and Local Property Taxes and Revenue, Capital increased \$11 million (51%) as a result of the 2009-10 issuance of general obligation bonds and the collection of related tax revenues for bond debt service payment.
- Net assets increased primarily as a result of additional revenue from grants and contracts, state apportionments and property taxes and revenues related to capital.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**





**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

**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 located on page 4 of the financial statements.

	(in thousands) <u>2011</u>	(in thousands) <u>2010</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (101,136)	\$ (103,123)	-2%
Non-capital financing activities	102,241	100,785	1%
Capital and related financing activities	(6,661)	97,728	-107%
Investing activities	<u>490</u>	<u>503</u>	-3%
Net increase in cash and cash equivalents	(5,066)	95,893	-105%
Cash balance, beginning of year	<u>225,312</u>	<u>129,419</u>	74%
Cash balance, end of year	<u>\$ 220,246</u>	<u>\$ 225,312</u>	-2%

## **SANTA MONICA COMMUNITY COLLEGE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

- Cash receipts from operating activities are from student tuition, auxiliary operation sales and from federal, state and local grants. Uses of cash from operating activities consist of payments to employees, vendors and students. The 2% decrease in cash used for operating activities is related to the net effect of increased receipts related to tuition and fees, increased funding received for Federal Financial Aid programs; increased payments to/on behalf of employees, and decreases in payments to outside vendors.
- Non-capital financing activities represents cash receipts from state apportionment, property taxes, state taxes, other state revenue and grants and gifts for other than capital purposes. The 1% increase in cash from Non-capital Financing Activities is primarily a result of increased cash from state apportionment and grants and gifts.
- The District did not issue general obligation bonds in 2010-11 as it had in the prior year which resulted in a 107% decline in cash provided from Capital and Related Financing Activities.
- Cash from investing activities is primarily from cash invested through the Los Angeles County pool and interest earned on cash in banks. Due to state cash flow issues, the State increased its deferral of apportionment payments to the Community College System from \$703 million in 2009-10 to \$832 million in 2010-11. This increase in deferment coupled with continued low interest rates resulted in a decline in cash flow from investing activities.
- Cash balance decreased approximately 2% from prior year primarily as a result of the use of cash for Capital and Related Financing Activities including the payment of interest and principal related to debt and the construction of capital projects.

#### **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, 2011**

**Capital Asset and Debt Administration**

**Capital Assets**

As of June 30, 2011, the District had net governmental capital assets of \$332.0 million, consisting of land, buildings and building improvements, construction in progress, vehicles, data processing equipment and other office and instructional equipment; these assets have an accumulated depreciation of \$54.2 million. Net additions to capital assets in 2010-11 consisted mainly of site/site improvements and construction in progress as a result of the passage of Measure U, Measure S and Measure AA. The following major projects added significantly to the capital assets of the District in the form of site/site improvements and construction in process: Student Services and Administration Complex; Photovoltaic System; Energy Savings Retrofit Projects; Madison East Wing Seismic Upgrade; Pico Property Acquisition; Replacement Health, PE, Fitness, Dance Building with Central Plant; Media Technology Complex at AET; Infrastructure and Technology Relocation Project; and Community Classroom and Facility Project. It is important to recognize that all valuations are based on historical cost as required by Generally Accepted Accounting Principles (GAAP). For example, the 38 acres of the main campus would have a significantly greater value today than is reflected in the capital asset listing below.

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

	<u>Balance June 30, 2011</u>
Land	\$ 66,875,463
Site and Site Improvements	198,871,512
Equipment	17,828,216
Construction in Progress	<u>102,608,597</u>
Totals at historical cost	<u>386,183,788</u>
Less accumulated depreciation for:	
Site and Site Improvements	(41,367,518)
Equipment	<u>(12,847,969)</u>
Total accumulated depreciation	<u>(54,215,487)</u>
Governmental capital assets, net	<u><u>\$ 331,968,301</u></u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

**Debt**

At June 30, 2011, the District had approximately \$431.8 million in debt: \$6.5 million from compensated absences, \$20.1 million from GASB Statement No. 45, other post-employment health care benefit liability, \$6.3 million from other post-employment health care benefit capital lease, \$22.4 million from obligations under certificates of participation, \$342 million from general obligation bonds and \$34.4 million of accreted interest. 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 is AA (S&P).

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

	<u>Balance</u> <u>June 30, 2011</u>
Compensated absences	\$ 6,523,478
Other post-employment health care benefits	20,101,234
Capital lease	6,266,423
Certificates of participation	22,440,427
General obligation bonds	342,095,100
Accreted interest	<u>34,353,875</u>
Total	<u>\$ 431,780,537</u>

# SANTA MONICA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

### **Budgeting for the Future**

#### **Overview**

The unrestricted general fund of the District has shown growth over the last several years. Between 2007-08 and 2010-11, the unrestricted general fund expenditures have grown \$4,079,142, while revenue has increased \$3,860,500. The District has shown great fiscal responsibility by increasing the contingency reserve of the unrestricted general fund from \$16,797,976 in 2007-08 to \$20,675,673 in 2010-11. The increase in fund balance gives the District the ability to adapt to changes in economic conditions and to meet its long-term obligations when faced with short-term financial uncertainties such as the current State budget crisis.

#### **Budget for 2011-12 – Unrestricted General Fund**

For 2011-12 the State has implemented a 6.2% or \$6,287,392 reduction in Principal Apportionment funding; the largest reduction in State funding in the history of the District. Additionally the State Budget requires that if projected State revenues do not meet projected levels by December a further reduction in funding of approximately \$1,238,608 will be applied to the District through mid-year reductions. A total of \$1,238,608 has been placed in Designated Reserves, from Contingency Reserve, to be used to prevent disruptions to programs and operations in the event of mid-year reductions; if the mid-year reductions do not materialize, this amount will be placed back into the Contingency Reserve. The District is also projecting an increase in non-resident tuition revenue of \$2,945,431 from prior year actuals. The net effect of the changes in revenues has resulted in a projected 2.6% decrease in total revenues from the prior year actuals.

The District is projecting expenditure increases of approximately 3.39% or \$4,540,462 compared with prior year actuals. The largest projected increases to expenditures are Salary-Related and Health and Welfare Benefits \$1,772,160, Capital Expenditures \$1,349,499, Contracts/Services \$1,035,734, and Salary Step and Longevity \$869,615 with the largest decrease in expenditure related to course schedule reduction \$1,728,119. The District is also transferring to designated reserves \$826,336 for the hiring of new faculty members in Fall 2012, \$500,000 to institutionalize Supplemental Instruction/Writing Center/Tutoring Center initiatives and \$425,000 for a new Financial Aid system. The net effect of the projected changes in revenue and expenditures will result in a projected operating deficit with one-time items of (\$5,437,168) and a projected ending Unrestricted General Fund Balance of \$12,661,729, excluding designated reserves, or 9.15% of total expenditures and transfers which meets the minimum prudent ending fund balance reserve of 5% as recommended by the California Community College Chancellor's Office.

## **SANTA MONICA COMMUNITY COLLEGE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

#### **Revenues**

##### State Revenue – Principal Apportionment

State revenue, in the form of Principal Apportionment, constitutes 76% \$101,555,097 of the District's operating revenue. The calculation for Principal Apportionment is based on the number of Full Time Equivalent Students (FTES) the District serves, but is capped based on the State adopted budget. The District receives Principal Apportionment through a combination of direct State funds known as General Apportionment, coupled with enrollment fees and property taxes, which are combined to equal the Principal Apportionment. If actual receipts of property taxes or enrollment fees differ from projections, General Apportionment funding will be adjusted, if State funding is available, to keep the formula constant.

The District has based its Principal Apportionment revenue projections on the State budget which has implemented a 6.2% funding/workload reduction for 2011-12. This will result in the District being funded by the State to serve approximately 20,683 FTES in 2011-12; a State mandated reduction of approximately 1,372 FTES. The District intends to continuing to serve students well beyond its funded FTES base with a target to serve 21,783 FTES, which is 1,100 FTES more than what the State is funding the District to serve.

It is important to note that if the State budget falls further into deficit during the current year, or if the State failed to meet its budget projections for additional revenue, the CCCCCO may impose additional reductions in the form of further workload reductions (permanent) or deficit factors (one-time). Each 1% reduction by the State is equivalent to approximately \$1,000,000 in reduced funding for the District.

##### Property Taxes

Based on preliminary projections, the District will receive \$12,874,054 in property tax in the current year. This is a combination of property tax shift, homeowner's exemption, secured taxes, unsecured taxes, supplemental taxes, RDA pass through and prior years' taxes. If the receipt of property tax does not meet these projections, the State may impose a further workload reduction or deficit factor to offset the loss in funding.

##### Lottery

The State Lottery revenues are paid each year according to the annual enrollment figures. The State is projecting slightly higher lottery sales in 2011-12, but, due to the State implemented workload reduction, the District is projecting a decrease in lottery revenue of \$26,393 from prior year actuals. If lottery sales or enrollment fall below projections, lottery revenue will be adjusted lower.

## **SANTA MONICA COMMUNITY COLLEGE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

#### Enrollment Fees

The State required that all Community College Districts raise the Enrollment Fee from \$26 a unit to \$36 a unit for 2011-12. This mandated increase is expected to generate \$4,403,717 in additional enrollment fee revenue. It is important to note that Enrollment Fee revenue belongs to the State, and this increase does not result in an increase in revenue for the District.

#### Local Revenues

Local Revenue contains the District's largest revenue sources outside of Principal Apportionment in the form of Non-resident Tuition. The non-resident tuition line item includes both revenue generated from non-resident tuition and revenue from special Intensive ESL classes for international students. The District increased non-resident tuition for the 2011-12 year. This increase is expected to result in an increase in revenue of \$2,945,431 from prior year actuals.

#### **Expenditures**

##### Summary

The General Fund Unrestricted Expenditure budget is where the District accounts for all operational expenditures. The breakdown of expenditures is as follows: 87.8% on salaries and benefits, 10.1% on other operational expenses and services, 1.2% on capital, 0.7% on supplies, and 0.2% on transfers/financial aid. For 2011-12 the largest projected increases to expenditures are Salary-Related and Health and Welfare Benefits \$1,772,160, Capital Expenditures \$1,349,499, Contracts/Services \$1,035,734, and Salary Step and Longevity \$869,615, with the largest decrease in expenditure related to course schedule reduction \$1,728,119.

##### Student Services

In order to lessen the impact of reductions by the State on students, the District is proposing to fund \$1,075,000 for student services to mitigate the state funding reductions over the last several years. This funding will be used for programs such as EOP&S, DSPS, Scholars, Veterans Affairs, Welcome Center, CalWORKS, general counseling, assessment, outreach and transfer center.

## **SANTA MONICA COMMUNITY COLLEGE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2011**

#### **Salary and Benefits**

Increases in salary and benefit expenditures account for approximately \$2,092,496 of the total \$4,540,462 projected increase in total expenditures and transfers and represent 87.8% of total expenditures and transfers for the District's unrestricted general fund. Consistent with Board principles, the District makes no assumptions for furloughs or layoffs of permanent employees in the 2011-12 fiscal year.

#### **Supplies, Services, Capital and Transfers**

Increases in supplies, services, capital and transfers account for approximately \$2,447,966 of the total projected increase in total expenditures and transfers and represent 12.2 % of total expenditures and transfers for the Districts unrestricted general fund. The largest increases are in the areas of Buildings/Sites and Equipment. The District has budgeted increases in these line items for: computers for instructional labs (\$384,077 – one time), instructional equipment replacement/updates (\$250,000), technology infrastructure maintenance/updates (\$500,000) and facility maintenance/operations/modification/updates (\$250,000).

The largest line item of non-salary and benefit related expenditure is contracts/services. The Contracts/Services line item in the adopted budget includes:

Rents/Leases (Madison Site, Swimming Pool, Big Blue Bus) 21%, Advertising 10%, Bank Fees and Bad Debt 10%, Repairs and Maintenance of Equipment/Facilities 9%, E-College/CurricUnet 7%, Other Contract Services 7%, Legal Services (including Personnel Commission) 6%, Consultants 5%, Postage and Delivery Services 4%, Conferences and Training 4%, District Copiers 4%, Off-Campus Printing 3%, Software Licensing 2%, LACOE Contracts (i.e. PeopleSoft, HRS) 2%, Repairs/Improvement of Facilities 1%, Memberships and Dues 1%, Audit 1%, and Other Services (i.e. Mileage, Professional Growth, Fingerprinting, Board Meetings, Field Trips) 3%.

#### **Closing**

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. In order to explore new and innovative ideas that can help to ensure a fiscally sound reserve, while maintaining the Board principles of protecting full time employees from layoffs or furloughs, and while maintaining a class offering that exceeds the funding provided by the State, the District is actively engaged in the shared governance process. This action along with the District's enrollment development and other planning efforts should allow the District to maintain a fund balance that is financially sound.



## **BASIC FINANCIAL STATEMENTS**

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET ASSETS**

**June 30, 2011**

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 193,275,612
Accounts receivable, net	31,490,065
Due from fiduciary funds	2,957,175
Inventories	2,603,157
Prepaid expenses and deposits	1,305,510
Prepaid issue costs - current portion	219,243
Total Current Assets	<u>231,850,762</u>

Non-Current Assets:	
Restricted cash and cash equivalents	26,970,585
Prepaid issue costs - non-current portion	2,063,687
Long-term investments	1,072,608
Capital assets, net of accumulated depreciation	331,968,301
Total Non-Current Assets	<u>362,075,181</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 593,925,943</u></b>
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**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Bank overdraft	\$ 2,873,254
Accounts payable	11,619,688
Accrued liabilities	6,938,002
Due to fiduciary funds	208,333
Deferred revenue	9,404,603
Compensated absences - current portion	969,397
Capital lease payable - current portion	244,434
Certifications of participation payable - current portion	1,285,000
General obligation bonds payable - current portion	16,625,805
Total Current Liabilities	<u>50,168,516</u>

Non-Current Liabilities:	
Compensated absences	5,554,081
Other post-employment health care benefits	20,101,234
Capital lease payable	6,021,989
Certificates of participations payable	21,155,427
General obligation bonds payable	359,823,170
Total Non-Current Liabilities	<u>412,655,901</u>

<b>TOTAL LIABILITIES</b>	<b><u>462,824,417</u></b>
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**NET ASSETS**

Invested in capital assets, net of related debt	95,498,659
Restricted for:	
Capital projects	10,097,453
Debt service	19,413,651
Specific purposes	4,003,397
Unrestricted	2,088,366

<b>TOTAL NET ASSETS</b>	<b><u>131,101,526</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 593,925,943</u></b>
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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, 2011**

<b>OPERATING REVENUES</b>	
Enrollment, tuition and other fees (gross)	\$ 46,420,094
Less: Scholarship discounts and allowances	<u>(7,421,973)</u>
Net enrollment, tuition and other fees	38,998,121
Grants and contracts, non-capital:	
Federal	37,801,679
State	6,749,324
Local	2,366,093
Auxiliary enterprise sales and charges, net	<u>7,828,031</u>
<b>TOTAL OPERATING REVENUES</b>	<u>93,743,248</u>
<b>OPERATING EXPENSES</b>	
Salaries	102,618,727
Employee benefits	36,511,753
Supplies, materials and other operating expenses and services	28,002,515
Financial aid	31,342,582
Utilities	3,025,066
Depreciation	<u>5,542,186</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>207,042,829</u>
<b>OPERATING LOSS</b>	<u>(113,299,581)</u>
<b>NON-OPERATING REVENUES</b>	
State apportionments, non-capital	84,399,708
Local property taxes	14,313,550
State taxes and other revenues	4,199,867
Investment income, net	267,524
Contributions, gifts and grants, non-capital	<u>4,637,309</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<u>107,817,958</u>
<b>LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)</b>	<u>(5,481,623)</u>
<b>OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)</b>	
Interest expense on capital-related debt	(23,469,525)
Investment income, capital	2,562,449
Local property taxes and revenues, capital	<u>32,783,747</u>
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)</b>	<u>11,876,671</u>
<b>INCREASE IN NET ASSETS</b>	6,395,048
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>124,706,478</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 131,101,526</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, 2011

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 39,526,149
Federal grants and contracts	35,808,007
State grants and contracts	6,289,806
Local grants and contracts	2,452,175
Auxiliary operation sales	7,121,379
Payments to suppliers	(28,025,595)
Payments to/on-behalf of employees	(132,322,806)
Payments to/on-behalf of students	(31,434,794)
Payments to Trust and Agency Fund	<u>(550,567)</u>
Net cash used by operating activities	<u>(101,136,246)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State apportionments and receipts	80,066,605
Property taxes	13,478,341
State taxes and other revenue	4,058,681
Grants and gifts for other than capital purposes	<u>4,637,309</u>
Net cash provided by non-capital financing activities	<u>102,240,936</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Local revenue for capital purposes	3,868,095
Tax revenue for payment of capital debt	28,988,844
Purchase of capital assets	(16,835,944)
Principal paid on capital debt	(13,071,323)
Federal Funds (Build America Bond) subsidy	1,506,975
Federal Emergency Management Agency reimbursement	2,000,325
Interest paid on capital debt	(15,598,625)
Interest on capital investments	<u>2,480,295</u>
Net cash used by capital and related financing activities	<u>(6,661,358)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	<u>490,708</u>
Net cash provided by investing activities	<u>490,708</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (5,065,960)

**CASH BALANCE - Beginning of Year** 225,312,157

**CASH BALANCE - End of Year** \$ 220,246,197

See the accompanying notes to the financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2011

**Reconciliation of Operating Loss to  
Net Cash Used by Operating Activities**

**CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (113,299,581)
Adjustments to reconcile net loss to net cash (used) by operating activities:	
Depreciation expense	5,542,186
Changes in assets and liabilities:	
Receivables, net	(774,196)
Due from fiduciary funds	(496,566)
Inventories	(919,390)
Prepaid expenses and deposits	1,183,946
Accounts payable	1,091,530
Accrued liabilities	40,680
Due to fiduciary funds	(54,001)
Deferred revenue	(217,848)
Compensated absences	399,844
Other post-employment health care benefits	<u>6,367,150</u>
Net cash used by operating activities	<u>\$ (101,136,246)</u>
Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 193,275,612
Restricted cash and cash equivalents	<u>26,970,585</u>
Total	<u>\$ 220,246,197</u>

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS**

**June 30, 2011**

	<b>Trust and Agency Fund</b>	<b>Associated Student Body Fund</b>
<b>ASSETS</b>		
Cash on hand and in banks	\$ 12,746,087	\$ 2,744,513
Accounts receivable:		
Miscellaneous	173,472	2,276
Due from governmental funds	58,908	149,425
Prepaid expenses	594	7,449
<b>TOTAL ASSETS</b>	<b>12,979,061</b>	<b>2,903,663</b>
<b>LIABILITIES</b>		
Accounts payable	781,595	11,944
Due to governmental funds	2,335,384	621,791
Deferred revenue	80,515	
Funds held in trust	9,781,567	2,166,759
<b>TOTAL LIABILITIES</b>	<b>12,979,061</b>	<b>2,800,494</b>
<b>NET ASSETS</b>		
Unrestricted		103,169
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ 103,169</b>

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, 2011**

	<b>Associated Student Body Fund</b>
<b>ADDITIONS</b>	
Other local revenues	\$ 349,927
<b>TOTAL ADDITIONS</b>	349,927
<b>DEDUCTIONS</b>	
Supplies and materials	253,159
Services and other operating expenses	96,456
<b>TOTAL DEDUCTIONS</b>	349,615
Change in net assets	312
<b>NET ASSETS - BEGINNING OF YEAR</b>	102,857
<b>NET ASSETS - END OF YEAR</b>	\$ 103,169

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**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, 2011**

**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 two potential component units have been included as part of the District's reporting entity through blended presentation:

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 three potential component units have been excluded from the District's reporting entity:

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, 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, accounting and finance related activities.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**A. REPORTING ENTITY (continued)**

Madison Project Foundation – The Foundation is a separate not-for-profit corporation incorporated for the purpose of programming, presenting, and producing for the general public performances and productions for Madison Theatre. 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, accounting and financial related activities.

Separate financial statements for the three foundations can be obtained through the District. The foundations are not included as a component unit because the third criterion was not met.

**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 \$(1,995,307) on June 30, 2011, which represents advance payments of payroll deductions. The Warrant Pass-Through Fund is not reported in the basic financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**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.

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 revenue 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, 2011**

**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 and State Aid. All material receivables are considered fully collectible.

Accounts receivable from students for tuition and fees are recorded at gross amounts. Bad debts are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

3. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists primarily of items held for resale in the bookstore and some expendable instructional, custodial, health and other supplies held for consumption.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

4. Prepaid Expenses and Deposits

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2011, 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.

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.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

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

8. Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors, including accrued interest on long-term debt of \$11,619,688. Accrued liabilities consist of salary and benefits payable of \$6,938,002.

9. 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.

10. 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 and vacation 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, 2011

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

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

11. 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 or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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.

12. 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 2012 will be recorded in the year computed by the State.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

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

13. 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 Finance. 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.

For fiscal year 2010-11, the District received \$298,399 from the California Statewide Delinquent Tax Finance Authority for the sale of delinquent tax receivables.

14. 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 \$1,025,000 for STRS.



SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

15. 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, *Accounting and Financial Reporting for Nonexchange Transactions*.

16. 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, 2011**

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

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

17. 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.

18. Minimum Reserve Policy

The District has adopted a minimum reserve balance policy in order to protect against revenue short falls and unexpected one-time expenditures. This policy meets the minimum reserve balance recommended by the California Community College Chancellor's Office that districts provide for a minimum prudent reserve balance being 5% of unrestricted expenditures.

**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, but all public funds are invested in bonds or government backed (collateralized) securities at 110% on the amount of deposit. The principal (face value) does not fluctuate, only the interest received on the investment. As of June 30, 2011, \$10,394,050 of the District's bank balance of \$12,185,517 was exposed to credit risk by being uninsured and collateral held by pledging bank's trust not in the District's name.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**A. Deposits (continued)**

**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 unamortized cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2011, as provided by the pool sponsor, was \$212,645,647. 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.

**B. Cash in Bank Overdraft**

The Bookstore Fund has a Cash in Bank overdraft balance of \$2,873,254 at June 30, 2011. 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, 2011 the pooled accounts had a positive balance of \$11,291,336.

**C. Investments**

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

The District did not violate any provisions of the California Government Code during the year ended June 30, 2011.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**C. Investments (continued)**

Investments for both the governmental and fiduciary fund types at June 30, 2011 are presented below:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Standard &amp; Poor's / Moody's Rating</u>
Federated Treasury Obligation	n/a	\$ 1,072,608	(1)

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. 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**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. 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**

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, requirements, the District is exposed to concentration of credit risk whenever investments in any one issuer exceeds 5%. Currently the District has 100% invested in Federal Treasury Obligation.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 3 - ACCOUNTS RECEIVABLE:**

The accounts receivable balance as of June 30, 2011 consist of the following:

Federal and State	\$25,813,246
Tuition and Fees	641,993
Miscellaneous	<u>5,034,826</u>
Total	<u>\$31,490,065</u>

**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, 2011 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Fund (General Fund)	\$ 2,957,175	\$ 208,333
Trust and Agency Fund	58,908	2,335,384
Associated Student Body Fund	<u>149,425</u>	<u>621,791</u>
Totals	<u>\$ 3,165,508</u>	<u>\$ 3,165,508</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 5 – CAPITAL ASSETS:**

The following provides a summary of changes in capital assets for the year ended June 30, 2011:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Non-depreciable assets:				
Land	\$ 64,233,043	\$ 2,642,420	\$	\$ 66,875,463
Construction in progress	<u>113,534,058</u>	<u>10,970,625</u>	<u>(21,896,086)</u>	<u>102,608,597</u>
Total non-depreciated assets:	<u>177,767,101</u>	<u>13,613,045</u>	<u>(21,896,086)</u>	<u>169,484,060</u>
Depreciable assets:				
Site and site improvements	176,975,426	21,896,086		198,871,512
Equipment	<u>16,920,861</u>	<u>927,248</u>	<u>(19,893)</u>	<u>17,828,216</u>
Total depreciable assets:	<u>193,896,287</u>	<u>22,823,334</u>	<u>(19,893)</u>	<u>216,699,728</u>
Less accumulated depreciation for:				
Site and site improvements	(37,590,915)	(3,776,603)		(41,367,518)
Equipment	<u>(11,102,279)</u>	<u>(1,765,583)</u>	<u>19,893</u>	<u>(12,847,969)</u>
Total accumulated depreciation	<u>(48,693,194)</u>	<u>(5,542,186)</u>	<u>19,893</u>	<u>(54,215,487)</u>
Total depreciable assets, net	<u>145,203,093</u>	<u>17,281,148</u>	<u>-</u>	<u>162,484,241</u>
Governmental capital assets, net	<u>\$ 322,970,194</u>	<u>\$ 30,894,193</u>	<u>\$ (21,896,086)</u>	<u>\$ 331,968,301</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 6 –LEASES:**

**A. Capital Lease**

The District entered into a lease with Municipal Financial Corporation for the acquisition of certain capital improvements, including a Photovoltaic Power System, valued at approximately \$7 million under an agreement which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2012	\$ 521,481
2013	535,753
2014	550,788
2015	432,092
2016	404,929
2017-2021	2,326,796
2022-2026	2,926,678
2027-2029	<u>1,550,513</u>
Total	9,249,030
Less Interest	<u>(2,982,607)</u>
Present value of net minimum lease payments	<u>\$ 6,266,423</u>

Current year expenditures for capital lease is approximately \$563,000. 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, 2011**

**NOTE 6 –LEASES: (continued)**

**B. Operating Lease**

The District has entered into an operating lease for land, building, and equipment with lease terms in excess of one year for the Madison Campus. This agreement did not contain purchase option. Future minimum lease payment under these agreements are as follows.

<u>Fiscal Year</u>	<u>Lease Payment</u>
2012	\$ 883,600
2013	883,600
2014	883,600
2015	883,600
2016	883,600
2017-2021	4,418,000
2022-2026	4,418,000
2027-2031	4,418,000
2032-2036	4,418,000
2037-2041	4,418,000
2042-2046	4,418,000
2047-2051	4,418,000
2052-2056	4,418,000
2057-2058	<u>1,767,200</u>
Total	<u>\$ 41,529,200</u>

Current year expenditures for operating leases is approximately \$800,000. 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, 2011**

**NOTE 7 - CERTIFICATES OF PARTICIPATION:**

- A. 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 to assist in the advance refunding the 1997 Certificates of Participation in order to acquire the AET campus.

The Corporation's funds for the advance refunding were 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.

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, 2011**

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

<u>Fiscal Year</u>	<u>Lease Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2011-12	July 15, 2011	\$	\$ 221,400	\$ 221,400
	January 15, 2012	400,000	221,400	621,400
2012-13	July 15, 2012		213,400	213,400
	January 15, 2013	420,000	213,400	633,400
2013-14	July 15, 2013		205,000	205,000
	January 15, 2014	435,000	205,000	640,000
2014-15	July 15, 2014		196,300	196,300
	January 15, 2015	450,000	196,300	646,300
2015-16	July 15, 2015		186,175	186,175
	January 15, 2016	470,000	186,175	656,175
2017-21		2,725,000	1,514,725	4,239,725
2022-26		3,470,000	755,112	4,225,112
2027		<u>850,000</u>	<u>42,500</u>	<u>892,500</u>
		<u>9,220,000</u>	<u>4,356,887</u>	<u>13,576,887</u>
	Deferred charge on refunding	<u>(621,908) *</u>		
	Total	<u>\$ 8,598,092</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 264 months; the life of the new debt. Amortization of \$41,460 was recognized during the 2010-11 year.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

- B.** The agreement dated March 11, 2010, 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 to assist in the advance refunding the 1999 Certificates of Participation.

The Corporation's funds for the advance refunding were generated by the issuance of \$13,945,000 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% to 5% 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, 2011 and terminating June 1, 2023. 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, 2011**

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

<u>Fiscal Year</u>	<u>Lease Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2011-12	December 1, 2011	\$	\$ 287,000	\$ 287,000
	June 1, 2012	885,000	287,000	1,172,000
2012-13	December 1, 2012		273,725	273,725
	June 1, 2013	915,000	273,725	1,188,725
2013-14	December 1, 2013		260,000	260,000
	June 1, 2014	940,000	260,000	1,200,000
2014-15	December 1, 2014		245,900	245,900
	June 1, 2015	970,000	245,900	1,215,900
2015-16	December 1, 2015		226,500	226,500
	June 1, 2016	1,005,000	226,500	1,231,500
2017-21		5,745,000	1,558,800	7,303,800
2022-23		<u>2,720,000</u>	<u>205,750</u>	<u>2,925,750</u>
		13,180,000	<u>\$4,350,800</u>	<u>\$ 17,530,800</u>
	Unamortized Premium*	1,165,009		
	Deferred charge on refunding **	<u>(502,674)</u>		
	Total	<u>\$ 13,842,335</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 COPs included a premium of \$1,262,093. The amount is amortized over 264 months using the straight-line method. Amortization of \$97,084 was recognized during the 2010-11 year.

\*\* The balance of the COPs refunded was \$544,564 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 156 months; the life of the new debt. Amortization of \$41,890 was recognized during the 2010-11 year.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**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, 2011 is \$3,385,695.

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 90 months; the life of the new debt. Amortization of \$44,559 was recognized during the 2010-11 year.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**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>
2012	\$ 2,372,388	\$ 1,007,612	\$ 3,380,000
2013	2,278,950	1,236,050	3,515,000
2014	2,188,980	1,466,020	3,655,000
2015	<u>1,131,314</u>	<u>913,686</u>	<u>2,045,000</u>
Total	7,971,632	<u>\$ 4,623,368</u>	<u>\$12,595,000</u>
Unamortized bond premium*	1,127,171		
Deferred charge on refunding**	<u>(133,676)</u>		
Total	<u>\$ 8,965,127</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 over 90 months using the straight-line method. Amortization of \$375,723 was recognized during the 2010-11 year.

\*\* Associated issuance costs are recorded as capitalized fees on the statement of net assets and are amortized to interest expense over the life of the liability. Amortization of \$29,145 was recognized during 2010-11 and \$87,435 is outstanding as of June 30, 2011.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**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>
2012	\$ 650,000	\$ 580,263	\$ 1,230,263
2013	650,000	554,263	\$ 1,204,263
2014	650,000	528,263	\$ 1,178,263
2015	650,000	500,638	\$ 1,150,638
2016	660,000	473,013	\$ 1,133,013
2017-2021	3,450,000	1,920,212	\$ 5,370,212
2022-2026	3,860,000	1,034,512	\$ 4,894,512
2027-2028	<u>1,690,000</u>	<u>130,688</u>	<u>1,820,688</u>
	<u>\$ 12,260,000</u>	<u>\$ 5,721,852</u>	<u>\$ 17,981,852</u>

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, 2011 is \$1,254,639.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**B. Measure U (continued)**

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>
2012	\$ 690,000	\$ 739,850	\$	\$ 1,429,850
2013	725,000	705,350		1,430,350
2014	760,000	669,100		1,429,100
2015	800,000	631,100		1,431,100
2016	835,000	593,100		1,428,100
2017-2021	4,840,000	2,298,188		7,138,188
2022-2026	6,185,000	957,750		7,142,750
2027-2029	324,971		3,950,029	4,275,000
	<u>\$ 15,159,971</u>	<u>\$ 6,594,438</u>	<u>\$ 3,950,029</u>	<u>\$ 25,704,438</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 semi-annually on August 1 and February 1.

Capital appreciation bonds were issued with maturity dates from August 1, 2009 through August 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, 2011 is \$14,878,918.

A portion of the proceeds was used to refund the outstanding balance of one of the District's COP's. The balance of the bonds refunded was \$539,372 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 192 months; the life of the new debt. Amortization of \$33,771 was recognized during the 2010-11 year.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**B. Measure U (continued)**

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>
2012	\$ 3,202,739	\$ 1,134,500	\$ 856,285	\$ 5,193,524
2013	3,314,689	1,134,500	1,088,885	5,538,074
2014	3,417,542	1,134,500	1,345,439	5,897,481
2015	3,516,580	1,134,500	1,522,309	6,173,389
2016	3,163,803	1,134,500	1,728,149	6,026,452
2017-2021	15,429,518	5,672,500	13,239,872	34,341,890
2022-2026	15,047,857	5,672,500	21,574,506	42,294,863
2027-2031	31,615,879	4,596,000	14,992,316	51,204,195
	<u>78,708,607</u>	<u>\$ 21,613,500</u>	<u>\$ 56,347,761</u>	<u>\$ 156,669,868</u>
Unamortized bond premium*	1,111,752			
Deferred charge for refunding	<u>(337,106)</u>			
Total	<u>\$ 79,483,253</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 Series C bonds included a premium of \$1,450,109. This amount is amortized over 300 months using the straight-line method. Amortization of \$58,004 was recognized during the 2010-11 year.

In addition, associated issuance costs are recorded as capitalized fees on the statement of net assets and are amortized to interest expense over the life of the liability. Amortization of \$47,726 was recognized during 2010-11 and \$914,758 is outstanding as of June 30, 2011.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**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, 2011 is \$2,669,899.

Debt service requirements on these bonds are as follows:

Fiscal Year	Principal	Accreted Interest Component	Total
2012	\$	\$	\$
2013			
2014			
2015			
2016	1,734,128	730,872	2,465,000
2017-2021	4,207,921	2,717,079	6,925,000
2022-2026	3,274,673	3,645,327	6,920,000
2027-2031	2,550,419	4,349,581	6,900,000
2032	232,846	1,152,154	1,385,000
Total	\$ 11,999,987	\$ 12,595,013	\$24,595,000

5. On January 26, 2010 the District issued 2010 Series E bonds totaling \$10,998,992 of capital appreciation bonds. The bonds were issued with maturity dates from August 1, 2016 through August 1, 2026. 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, 2011 is \$555,763.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**B. Measure U (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>
2012	\$	\$	\$
2013			
2014			
2015			
2016			
2017-2021	4,292,627	2,092,373	6,385,000
2022-2026	5,508,012	5,966,988	11,475,000
2027	1,198,354	1,826,646	3,025,000
	<u>\$ 10,998,993</u>	<u>\$ 9,886,007</u>	<u>\$ 20,885,000</u>

**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.

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>
2012	\$ 1,555,000	\$ 330,637	\$ 1,885,637
2013	1,635,000	249,000	1,884,000
2014	1,725,000	163,163	1,888,163
2015	1,815,000	72,600	1,887,600
	<u>\$ 6,730,000</u>	<u>\$ 815,400</u>	<u>\$ 7,545,400</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**C. Measure S (continued)**

2. 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, 2011 is \$8,506,336.

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 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 114 months; the life of the new debt. Amortization of \$60,414 was recognized during the 2010-11 year. The balance of the in-substance defeased debt as of June 30, 2011 is \$40,065,000. The balance of the in-substance defeased debt will be paid off on May 1, 2015.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**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>
2012	\$ 3,244,969	\$ 783,000	\$ 2,420,031	\$ 6,448,000
2013	2,889,218	783,000	2,825,782	6,498,000
2014	2,706,142	783,000	3,358,858	6,848,000
2015	2,565,607	783,000	3,949,393	7,298,000
2016	6,815,000	783,000		7,598,000
2017	8,845,000	442,250		9,287,250
	<u>27,065,936</u>	<u>\$ 4,357,250</u>	<u>\$ 12,554,064</u>	<u>\$ 43,977,250</u>
Unamortized bond premium*	6,033,929			
Deferred charge on refunding	<u>(302,067)</u>			
Total	<u>\$ 32,797,798</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 over 114 months using the straight-line method. Amortization of \$1,206,785 was recognized during the 2010-11 year.

In addition, associated issuance costs are recorded as capitalized fees on the statement of net assets and are amortized to interest expense over the life of the liability. Amortization of \$61,103 was recognized during 2010-11 and \$305,513 is outstanding as of June 30, 2011.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**C. Measure S (continued)**

3. On February 17, 2009 the District issued Series C bonds for \$30,885,000 of current interest bonds. Interest rate range from 1.77% to 4.39% payable semiannually on August 1 and February 1.

Capital appreciation bonds of \$26,112,857 were issued with maturity dates from August 1, 2012 through August 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, 2011 is \$3,102,625.

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>
2012	\$	\$ 1,592,688	\$	\$ 1,592,688
2013	130,000	1,589,762		1,719,762
2014	240,000	1,581,438		1,821,438
2015	360,000	1,567,938		1,927,938
2016	645,000	1,545,325		2,190,325
2017-2021	18,060,000	5,792,905		23,852,905
2022-2026	23,271,154	622,650	17,763,846	41,657,650
2027-2030	14,291,703		33,043,297	47,335,000
	<u>56,997,857</u>	<u>\$ 14,292,706</u>	<u>\$ 50,807,143</u>	<u>\$ 122,097,706</u>
Unamortized bond premium*	<u>2,700,644</u>			
Total	<u>\$ 59,698,501</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 Series C bonds included a premium of \$3,008,315. This amount is amortized over 300 months using the straight-line method. Amortization of \$136,741 was recognized during the 2010-11 year.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**D. Measure AA**

1. On November 4, 2008, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$295,000,000. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing and equipping of District facilities.

On January 26, 2010 the District issued general obligation bonds as approved by the voters in November 2008 in the amount of \$100,000,000. These bonds consisted of \$33,135,000 tax-exempt Series A bonds and \$66,865,000 in federally taxable Build America Bonds Series A-1. Interest rates for Series A is 5% and for Series A-1 range from 5.728% to 5.878% payable semiannually on February 1 and August 1. The Build America Bonds program was created by the American Recovery and Reinvestment Act to assist state and local governments in financing capital projects at lower borrowing costs and to stimulate the economy and create jobs.

The District elected to treat the Series A-1 bonds as “Build America Bonds” under Section 54AA of the Tax Code, and the Series A-1 Bonds be “qualified bonds” under Section 54AA(g)(2) of the Tax Code which make the District eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series A-1 Bonds. The District will deposit the cash subsidy payments with the County to be credited to the Debt Service Fund for the Series A-1 Bonds. Cash subsidy payments are expected to be received contemporaneously with each interest payment date.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**2. Measure AA (continued)**

Debt service requirements for Series A Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,800,000	\$ 1,980,228	\$ 4,780,228
2013	4,530,000	1,403,500	5,933,500
2014	1,510,000	1,252,500	2,762,500
2015	1,650,000	1,173,500	2,823,500
2016	1,800,000	1,087,250	2,887,250
2017-2021	11,525,000	3,860,625	15,385,625
2022-2024	<u>9,320,000</u>	<u>721,500</u>	<u>10,041,500</u>
	33,135,000	<u>\$ 11,479,103</u>	<u>\$ 44,614,103</u>
Unamortized bond premium*	<u>4,001,470</u>		
<b>Total</b>	<u><b>\$ 37,136,470</b></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 Series A bonds included a premium of \$4,334,926. This amount is amortized over 156 months using the straight-line method. Amortization of \$333,456 was recognized during the 2010-11 year.

In addition, associated issuance costs are recorded as capitalized fees on the statement of net assets and are amortized to interest expense over the life of the liability. Amortization of \$81,269 was recognized during 2010-11 and \$975,224 is outstanding as of June 30, 2011.



SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

**D. Measure AA** (continued)

Debt service requirements for Series A-1 Build America Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$	\$ 5,464,856	\$ 5,464,856
2013		4,416,045	4,416,045
2014		4,416,045	4,416,045
2015		4,416,045	4,416,045
2016		4,416,045	4,416,045
2017-2021		22,080,225	22,080,225
2022-2026	8,200,000	21,617,629	29,817,629
2027-2031	27,585,000	15,398,512	42,983,512
2032-2035	<u>31,080,000</u>	<u>4,396,625</u>	<u>35,476,625</u>
	<u>\$ 66,865,000</u>	<u>\$ 86,622,027</u>	<u>\$ 153,487,027</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 9 – LONG-TERM DEBT:**

A schedule of changes in long-term debt for the year ended June 30, 2011 is shown below:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Amount Due in One Year
Compensated absences	\$ 6,123,634	\$ 399,844	\$	\$ 6,523,478	\$ 969,397
Other post-employment health care benefits	13,734,084	6,367,150		20,101,234	
Capital Lease	6,541,291		274,868	6,266,423	244,434
Certificates of participation	23,609,161		1,168,734	22,440,427	1,285,000
General obligation bonds	355,983,448		13,888,348	342,095,100	16,625,805
Accreted interest	28,279,733	9,442,710	3,368,568	34,353,875	
<b>Total</b>	<b>\$ 434,271,351</b>	<b>\$ 16,209,704</b>	<b>\$ 18,700,518</b>	<b>\$ 431,780,537</b>	<b>\$ 19,124,636</b>

Liabilities are liquidated by the General Fund for governmental activities, including the capital lease, compensated absences, and net OPEB obligations. The certificates of participations are liquidated by parking revenues, additional funding sources related to student enrollment and other sources identified within the capital funds. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**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 Alternative Retirement Plans (ARP).

**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.

**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 2010-11 was 8.25% 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, 2011**

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

**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 2010-11 was 10.707% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**Contributions to STRS and PERS**

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

<u>Year Ended</u> <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2009	\$4,555,079	100%	\$3,538,985	100%
2010	4,287,558	100%	3,727,562	100%
2011	4,191,863	100%	3,667,954	100%

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS:**

**Plan Description and Funding Policy**

The District administers a single-employer defined benefit plan for retiree healthcare benefits. The District provides post-employment 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. The District contributes 100% of the amount of premiums, for medical, dental and vision benefits, incurred by retirees and their dependents up to the age of 65. 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, 347 retirees meet those eligibility requirements. The plan is funded on a pay-as-you go basis with discretionary contributions made to an irrevocable trust as determined by the Board of Trustees. During the year, the District contributed \$2,348,543 to the plan. Benefit provisions are established through negotiations between the District and the bargaining Unions representing employees. Separate financial statements for the plan can be obtained from CalPERS.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution (ARC)	\$ 8,667,939
Interest on net OPEB obligation	686,704
Adjustment to annual required contribution	<u>(638,950)</u>
Annual OPEB cost (expense)	8,715,693
Contributions made	<u>(2,348,543)</u>
Change in net OPEB obligation	6,367,150
Net OPEB obligation - Beginning of Year	<u>13,734,084</u>
Net OPEB obligation - End of Year	<u><u>\$ 20,101,234</u></u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the prior and current fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$6,482,458	52.3%	\$ 7,701,158
6/30/2010	\$7,683,490	21.5%	\$13,734,084
6/30/2011	\$8,715,693	26.9%	\$20,101,234

**Funding Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the plan was 1.9% funded. The actuarial accrued liability for benefits is \$94,103,186 and the unfunded actuarial accrued liability (UAAL) was \$92,315,698. The covered payroll (annual payroll of active employees covered by the plan) was \$66,153,965, and the ratio of the UAAL to the covered payroll was 139.5%.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) using the “Building Block Method” as described in ASOP 27 paragraph 3.6.2, and an annual healthcare cost trend rate of 4 percent. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using a 15 year smoothing formula with a 20% corridor around market value. The UAAL is being amortized as a level percentage of payroll over a 30 year closed period. Any residual UAAL is amortized over an open 30 year period.

**NOTE 12 - JOINT POWERS AGREEMENT:**

The Santa Monica Community College District participates in three 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); and the Statewide Association of Community Colleges (SWACC). 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 earned. Claim liabilities of the JPA are recomputed periodically by an actuary to produce current estimates that reflect trend and claim lag time.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

SCCCD provides workers' compensation and retiree health insurance coverage for its seven member districts. Payments transferred to funds maintained under the JPA are expensed when earned. SCCCDD has self-funded their workers' compensation coverage since inception as a joint banking pool, and accordingly, does not transfer risk between members. 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.

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. Each member shares surpluses and deficits proportionately to its participation in SWACC.

Separate financial statements for each JPA may be obtained from the respective entity.

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

	ASCIP 6/30/2011 <u>(Unaudited)</u>	SCCCD-JPA 6/30/2011 <u>(Audited)</u>		SWACC 6/30/2011 <u>(Unaudited)</u>
		Workers'		
		<u>Compensation</u> <u>Insurance Fund</u>	<u>Retiree Health</u> <u>Insurance Fund</u>	
Total assets	\$258,217,310	\$ 21,400,921	\$ 29,440,225	\$ 45,222,215
Total liabilities	<u>146,184,365</u>	<u>662,784</u>	<u>-</u>	<u>21,819,352</u>
Retained earnings	<u>\$112,032,945</u>	<u>\$ 20,738,137</u>	<u>\$ 29,440,225</u>	<u>\$ 23,402,863</u>
Total revenues	\$184,317,132	\$ 7,489,133	\$ 1,606,086	\$ 10,467,082
Total expenditures	<u>178,238,995</u>	<u>7,194,072</u>	<u>1,500</u>	<u>11,665,586</u>
Change in retained earnings	<u>\$ 6,078,137</u>	<u>\$ 295,061</u>	<u>\$ 1,604,586</u>	<u>\$ (1,198,504)</u>



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 13 – FUNCTIONAL EXPENSE:**

	<u>Salaries</u>	<u>Benefits</u>	<u>Supplies, Materials, Utilities, Other Services</u>	<u>Financial Aid</u>	<u>Depreciation</u>	<u>Total</u>
Instructional Activities	\$ 50,419,378	\$ 15,340,687	\$ 694,490	\$	\$	\$ 66,454,555
Academic Support	10,448,584	3,675,356	1,415,248			15,539,188
Student Services	16,805,719	5,441,813	4,662,066			26,909,598
Operation & Maintenance of Plant	4,986,993	2,538,840	2,843,803			10,369,636
Institutional Support Services	13,074,500	7,131,489	5,568,823			25,774,812
Community Services & Economic Development	1,543,968	452,109	271,594			2,267,671
Ancillary Services & Auxiliary Operations	5,164,080	1,870,123	4,706,306			11,740,509
Physical Property & Related Acquisitions	175,505	61,336	10,865,251			11,102,092
Student Financial Aid				31,342,582		31,342,582
Depreciation Expense					5,542,186	5,542,186
	<u>\$ 102,618,727</u>	<u>\$ 36,511,753</u>	<u>\$ 31,027,581</u>	<u>\$ 31,342,582</u>	<u>\$ 5,542,186</u>	<u>\$ 207,042,829</u>

**NOTE 14 – COMMITMENTS AND CONTINGENCIES:**

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

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required 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, 2011, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$17 million. Projects will be funded through bond proceeds, State capital outlay funds and State scheduled maintenance allocations.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 14 – COMMITMENTS AND CONTINGENCIES: (continued)**

**D. Earthquake Capital Outlay Projects Fund**

The Earthquake Capital Outlay Projects Fund has a receivable balance that has remained partially uncollected since 2003-04 fiscal year. This receivable is related to Federal Emergency Management Agency (FEMA) recovery funding to repair damaged District buildings caused by the 1994 Northridge earthquake. On November 5, 2008, FEMA informed the District that it completed and closed its review of the District's Federal Final Inspection Report and determined that the District is eligible for the funding it applied for. The District received \$2 million of the \$4.3 million receivable during the 2010-11 fiscal year. Because of this recent activity, these financial statements do not include an allowance for doubtful accounts related to the earthquake recovery funding receivable. An additional payment is expected in fiscal year 2011-12.

**NOTE 15 – SUBSEQUENT EVENT:**

The District purchased land and a building in the amount of \$9,000,000 using proceeds in the Measure AA Bond Building Fund on November 22, 2011.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF POST-EMPLOYMENT HEALTH CARE BENEFITS FUNDING PROGRESS**

**For the Fiscal Year Ended June 30, 2011**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Unit Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
11/11/2008	\$ 1,496,996	\$ 68,668,113	\$ 67,171,117	2.2%	\$ 61,259,354	109.7%
5/1/2010	1,641,391	83,792,387	82,117,696	2.0%	65,579,641	125.2%
6/30/2011	1,787,488 *	94,103,186	92,315,698	1.9%	66,153,965	139.5%

\* The District maintains investments in an irrevocable trust. The fair market value of the trust assets as of June 30, 2011 is \$2,160,034.

See the accompanying notes to the required supplementary information.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2011**

**NOTE 1 - PURPOSE OF SCHEDULE:**

**A. Schedule of Post-Employment Health Care Benefits Funding Progress**

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for post-employment benefits other than pensions.

**SUPPLEMENTARY INFORMATION**

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**HISTORY AND ORGANIZATION**

**June 30, 2011**

Established in 1929, Santa Monica College 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. There were no changes in the boundaries of the District during the current year.

**BOARD OF TRUSTEES**

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Andrew Walzer	Chair	November 2014
Dr. Margaret Quiñones-Perez	Vice-Chair	November 2012
Dr. Susan Aminoff	Member	November 2012
Judge David B. Finkel (Ret)	Member	November 2014
Dr. Nancy Greenstein	Member	November 2014
Louise Jaffe	Member	November 2014
Rob Rader	Member	November 2012
Joshua Scuteri	Student Trustee	June 2012

**SENIOR ADMINISTRATION**

Dr. Chui L. Tsang	Superintendent/ President
Randal Lawson	Executive Vice President
Robert Isomoto	Vice-President, Business/Administration
Jeffery Shimizu	Vice President, Academic Affairs
Michael Tuitasi	Vice President, Student Affairs
Teresita Rodriguez	Vice President, Enrollment Development
Marcia Wade	Vice President, Human Resources
Don Girard	Government Relations/Institutional Communications

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2011**

	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures as of June 30, 2011</u>
<b>Student Financial Assistant Cluster</b>			
Direct from Department of Education:			
Financial Aid Administrative Allowances	84.000	N/A	\$ 121,269
Supplemental Education Opportunity Grant (SEOG)	84.007	N/A	687,450
Federal Work Study	84.033	N/A	505,002
Academic Competitive Grant	84.375	N/A	435,614
Federal Direct Student Loan	84.268	N/A	2,576,218
Pell Grant	84.063	N/A	<u>25,798,563</u>
Total Student Financial Aid Cluster			<u>30,124,116</u>
<b>TRIO Cluster</b>			
Direct from Department of Education:			
Student Support Services	84.042	N/A	294,162
Upward Bound	84.047A	N/A	<u>295,747</u>
Total Trio Cluster			<u>589,909</u>
<b>Department of Commerce</b>			
Direct:			
Corporation for Public Broadcasting	11.000	N/A	<u>1,120,125</u>
Total Department of Commerce			<u>1,120,125</u>
<b>Department of Education</b>			
Direct:			
Hispanic - Serving Institution Program (H.S.I.):			
Supporting Student Success in Pre-Transfer Mathematics (Title V)	84.031S	N/A	642,390
Fostering Global Citizenship through Interdisciplinary Campus-Wide Initiative	84.016A	N/A	90,972
Center of Excellence for Veteran Student Success	84.116G	N/A	92,077
Child Care Access Means Parents in School	84.335A	N/A	31,325
Asian American and Pacific Islander	84.382B	N/A	<u>1,298,055</u>
Subtotal Direct Programs			<u>2,154,819</u>
Passed through Chancellor's Office of the California Community Colleges:			
American Recovery and Reinvestment Act: State Fiscal Stabilization Fund	84.394	(1)	46,574
Career & Technical Education:			
Perkins, Title IV	84.048	(1)	619,408
Tech Prep Education	84.243	(1)	<u>69,708</u>
Subtotal Pass Through Programs			<u>735,690</u>
Total Department of Education			<u>2,890,509</u>
<b>Department of Health and Human Services</b>			
Passed through Los Rios Hitech Community College:			
American Recovery and Reinvestment Act: Training for Health Information Technology	93.721	N/A	261,392
Passed through Chancellor's Office of the California Community Colleges:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	<u>53,534</u>
Subtotal Pass Through Programs			<u>314,926</u>
Total Department of Health and Human Services			<u>314,926</u>

See the accompanying notes to the supplementary information.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2011**

	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures as of June 30, 2011
<b>Department of Labor</b>			
Direct:			
Community Based Job Training Grant - Jobs Through Recycling	17.269	N/A	621,153
Subtotal Direct Programs			621,153
Passed through the State of California Employment Training Panel:			
American Recovery and Reinvestment Act: Clean Energy Workforce Training Program	17.258	(1)	120,256
Passed through the Career Technical Education and Economic and Workforce Department:			
Governor's 15% WIA Funds for Allied Health Program	17.278	(1)	170,541
Governor's 15% WIA Funds for LVN to RN or Specialty Nursing	17.278	(1)	71,813
Subtotal Pass Through Programs			362,610
Total Department of Labor			983,763
<b>National Aeronautics and Space Administration</b>			
Direct:			
Curriculum Improvement Partnership Award for Integration of Research	43.000	N/A	22,746
Total National Aeronautics and Space Administration			22,746
<b>Small Business Administration</b>			
Passed through Long Beach Community College District:			
Small Business Development Center (SBDC)	59.037	(1)	248,610
Total Small Business Administration			248,610
<b>Total Federal Program Expenditures</b>			<b>\$ 36,294,704</b>
<b>Reconciliation to Federal Revenue</b>			
Total Federal Program Expenditures			\$ 36,294,704
Build America Bonds subsidy received but not subject to the Single Audit Act			1,506,975
Total Federal Program Expenditures			<b>\$ 37,801,679</b>

Note: (1) Pass-through entity identifying number not readily available.  
N/A 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, 2011

	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue	Total	
Matriculation (Credit)	\$ 703,405	\$	\$	\$ 703,405	\$ 703,405
Matriculation (Non Credit)	22,956			22,956	22,956
Extended Opportunity Program and Services (EOPS)	827,320			827,320	827,320
Cooperative Agencies Resources for Education (CARE)	55,879			55,879	55,879
Disabled Student Program and Services (DSPS)	1,154,499			1,154,499	1,154,499
Transfer and Articulation	6,466		4,431	2,035	2,035
Equal Employment Opportunity - Faculty & Staff Diversity	43,406		4,096	39,310	39,310
Nursing Grant	312,999	57,194	10,671	359,522	359,522
Calworks	162,303			162,303	162,303
Child Development Training	7,500			7,500	7,500
Small Business Development Center	163,869	111,904		275,773	275,773
Financial Aid Administration	803,130		19,599	783,531	783,531
Career and Technical Education Equipment	3,930		3,930	-	-
Career and Technical Education CTE III	306,874		179,306	127,568	127,568
Basic Skills Funding	730,652		435,599	295,053	295,053
Career Tech Education/Community Collaborative	106,977			106,977	106,977
Workforce Innovations Project	75,973			75,973	75,973
Associate Degree in Nursing to Bachelor's or Master's Degree in Nursing Collaborative	16,731			16,731	16,731
Instructional Equipment & Library Materials - One-time	153,841		105,011	48,830	48,830
Telecommunications	36,899			36,899	36,899
Instructional Equipment & Library Materials - One-time	63,237		63,237	-	-
Funding Obligation Settlement (SB1133)	24,772			24,772	24,772
Child Development Career Worker	10,634	4,430		15,064	15,064
Total State Programs	<u>\$ 5,794,252</u>	<u>\$ 173,528</u>	<u>\$ 825,880</u>	<u>\$ 5,141,900</u>	<u>\$ 5,141,900</u>

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURE FOR STATE GENERAL APPORTIONMENT  
ANNUAL (ACTUAL) ATTENDANCE  
For the Fiscal Year Ended June 30, 2011**

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
<b>A. Summer Intersession (Summer 2009 only)</b>			
1. Noncredit <sup>1</sup>	68.62		68.62
2. Credit	2,527.25		2,527.25
<b>B. Summer Intersession (Summer 2010 - Prior to July 1, 2010)</b>			
1. Noncredit <sup>1</sup>	N/A		N/A
2. Credit	N/A		N/A
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,470.12		14,470.12
(b) Daily Census Contact Hours	2,095.14		2,095.14
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit <sup>1</sup>	574.18		574.18
(b) Credit	51.35		51.35
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	607.89		607.89
(b) Daily Census Contact Hours	2,150.73		2,150.73
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
<b>D. Total FTES</b>	<u>22,545.28</u>	<u>-</u>	<u>22,545.28</u>
<b>Supplemental Information (subset of above information)</b>			
E. In-Service Training Courses (FTES)	N/A		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit <sup>1</sup>	45.71		
(b) Credit	2,583.79		
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	158.09		
<b>Centers FTES</b>			
(a) Noncredit	7.94		
(b) Credit	1,246.56		

<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, 2011**

	<u>Auxiliary Funds</u>
June 30, 2011 Annual Financial and Budget Report Fund Balance	\$ <u>1,788,840</u>
Adjustments and Reclassifications:	
Post Closing Entries	<u>80,060</u>
Net Adjustments and Reclassifications	<u>80,060</u>
June 30, 2011 Audited Financial Statements Fund Balance	\$ <u>1,868,900</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.

The financial data for the Certificates of Participations are a component part of these financial statements that are not reported in the District's CCFS-311.

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2011

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Revenue from Federal Sources</b>			
Higher Education Act	\$ 4,292,848	\$ 3,218,404	\$ (1,074,444)
Workforce Investment Act	4,877,451	621,153	(4,256,298)
Temporary Assistance for Needy Families (TANF)	53,534	53,534	-
Student Financial Aid	132,866	121,270	(11,596)
Career & Technical Education	690,169	689,116	(1,053)
Other Federal Revenue	4,289,905	2,093,382	(2,196,523)
<b>Revenue from State Sources</b>			
General Apportionments	86,317,378	84,399,708	(1,917,670)
Categorical Apportionments	6,808,769	5,760,970	(1,047,799)
Other State Revenues	4,298,592	4,120,167	(178,425)
<b>Revenue from Local Sources</b>			
Property Taxes	11,099,302	13,478,341	2,379,039
Interest and Investment Income	234,500	222,864	(11,636)
Student Fees and Charges	37,652,747	38,998,121	1,345,374
Other Local Revenue	7,660,650	6,955,814	(704,836)
<b>TOTAL REVENUES</b>	<u>168,408,711</u>	<u>160,732,844</u>	<u>(7,675,867)</u>
<b>EXPENDITURES</b>			
Academic Salaries	69,779,955	67,212,065	2,567,890
Classified Salaries	35,913,885	33,864,513	2,049,372
Employee Benefits	31,557,279	29,736,309	1,820,970
Supplies and Materials	2,506,430	1,753,047	753,383
Student Financial Aid	1,032,852	603,390	429,462
Other Operating Expenses & Services	29,238,503	21,361,008	7,877,495
Capital Outlay	2,519,059	1,509,805	1,009,254
<b>TOTAL EXPENDITURES</b>	<u>172,547,963</u>	<u>156,040,137</u>	<u>16,507,826</u>
Excess (deficiencies) of revenues over expenditures	<u>(4,139,252)</u>	<u>4,692,707</u>	<u>8,831,959</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund Transfers In	201,320	147,494	(53,826)
Interfund Transfers Out	(1,921,171)	(1,845,544)	75,627
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,719,851)</u>	<u>(1,698,050)</u>	<u>21,801</u>
Excess (deficiencies) of revenues over expenditures and other sources (uses)	<u>\$ (5,859,103)</u>	<u>2,994,657</u>	<u>\$ 8,853,760</u>
Fund balance, beginning of year		<u>24,097,578</u>	
Fund balance, end of year		<u>\$ 27,092,235</u>	

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, 2011**

**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, 2011 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. This Schedule of Federal Awards and the Schedule of State Financial Assistance are presented on the modified accrual basis of accounting.

**Subrecipients**

Of the Federal expenditures presented in the Schedule of Federal Awards, the District provided Federal Awards to subrecipients as follows:

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
U.S. Department of Education		
Asian American and Pacific Islanders	84.382B	
Santa Monica College Foundation		\$ 81,751
University of California Los Angeles/Santa Monica College Academic Collaborative		132,092
U.S. Department of Labor		
Community Based Job Training - Recycling	17.269	
California Resource Recovery Association		237,497
Recycling Organization of North America		26,519
Coast Community College District:		
Golden West College		52,542
South Orange County Community College:		
Irvine Valley College		37,023
Workforce Investment Board :		
Pacific Asian Consortium in Employment-		
Westlake Worksource Center		46,528
Jewish Vocational Services of Los Angeles		37,920
Orange County Workforce Investment Board		8,607
		<u>\$ 660,479</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2011**

**NOTE 1 - PURPOSE OF SCHEDULES: (continued)**

**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.

**D. Schedule of Budgetary Comparison for the Combined General Fund**

Continuing disclosure for the general obligation bond requires a budgetary comparison be presented for the General Fund (combined). This schedule presents the final General Fund budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts.

**OTHER INDEPENDENT AUDITOR'S REPORTS**





**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, 2011, and have issued our report thereon dated December 14, 2011. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

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

**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***

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 no instances of non-compliance or other matters that are required to be reported under *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 Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
VICENTI, LLOYD & STUTZMAN LLP

December 14, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON 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 that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON 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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
VICENTI, LLOYD & STUTZMAN LLP

December 14, 2011



**INDEPENDENT AUDITOR'S 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 compliance of the Santa Monica Community College District (the District) with the types of compliance requirements described in the *2010-11 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2011. The District's State compliance requirements are identified below. Compliance with the State laws and regulations as identified below 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 in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2010-11 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following items:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Education Code Section 84362.
- Whether the District complied with all requirements necessary to claim FTES for instruction under 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.

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

- Whether the District acted to ensure that the residency of each student is properly classified and that only the attendance of California residents, specifically student-athletes, is claimed for apportionment purposes.
- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- Whether the District complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District reported the full amount of fees charged, regardless of whether the fees are collected, for the purpose of determining the District's share of annual apportionment.
- Whether the District expended CalWORKS and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.
- 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 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.
- Whether the District expended Economic and Workforce Development (EWD) funds to develop and deliver services to meet the needs identified in regional economic development plans and that state laws and regulations regarding subcontracts or grant amendments and operation of an EWD program center or an industry driven regional collaborative were complied with.
- Whether the District expended Extended Opportunity Programs and Services (EOPS) funds to provide services specifically designed to supplement existing support programs and to help EOPS eligible students complete their educational goal.
- Whether the District expended Disabled Student Programs and Services (DSPS) funds on students with exceptional needs because of a verified disability to facilitate measurable progress towards their educational goals.

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

- Whether the District expended Cooperative Agencies Resources for Education (CARE) funds to provide educational support services and activities for the academically under-prepared, welfare-dependent, single head-of-household student population.
- Whether the District provided eligible persons under the federal Jobs for Veterans Act preference (priority of service) and information regarding benefits and services obtainable through entities and service providers and to ensure eligible persons are informed of their employment-related rights and benefits.
- Whether the District lists To Be Arranged Hours (TBA) in the schedule of classes and describes them in the course outline and that student participation is carefully tracked to ensure apportionment is not claimed for TBA hours for students with documented zero hours as of the census point for a particular course.

In our opinion, we found that, for the items tested, the Santa Monica Community College District complied with the laws and regulations of the state programs referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Santa Monica Community College District had not complied with the laws and regulations of state programs and requirements.

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

  
VICENTI, LLOYD & STUTZMAN LLP

December 14, 2011

## **FINDINGS AND QUESTIONED COSTS**



**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, 2011**

*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?        Yes   X   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>
84.007, 84.033, 84.375, 84.268, 84.063 and 84.000	Student Financial Assistance Cluster
84.042 and 84.047A	TRIO Cluster
84.031S	Supporting Student Success in Pre-Transfer Mathematic (Title V)
84.382B	Asian American and Pacific Islander
17.269	Community Based Job Training Grant – Job Through Recycling
17.258	American Recovery and Reinvestment Act: Clean Energy Workforce Training Program

Dollar threshold used to distinguish between Type A  
 and Type B programs: \$ 300,000

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, 2011**

There were no findings and questioned costs related to financial statements for the year ended June 30, 2011.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2011**

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2011.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2011**

**FINDING 10-1 – HUMAN RESOURCE - W-4 SUPPORTING DOCUMENTS**

**Finding:** Payroll W-4 forms should be maintained for all employees. The W-4 form for one out of 10 employees reviewed did not match the payroll system. Missing current W-4 forms represents pertinent payroll documentation not on file. This has been an ongoing issue since approximately the 2008 fiscal year.

**Questioned Costs:** Not Applicable

**Recommendation:** Establish procedures to ensure pertinent payroll documentation is obtained and properly filed. Develop standard procedures to review information filed in employees' personnel files to ensure all W-4 information is updated.

**Current Status:** Implemented

**FINDING 10-2 – HUMAN RESOURCE – PERSONNEL FILES**

**Finding:** Employees files should contain evidence that all instructors meet minimum qualifications to teach. Minimum qualifications are met if a person has a valid, unrevoked credential or meets minimum qualifications adopted by the Board of Governors for the particular discipline (CCR, Title 5, Section 58060, and 53400). During our testing of salaries of classroom instructors, the documentation supporting equivalency for one out of ten instructors was not available at the time of testing. Valid documentation was later provided by the District noting the instructor is qualified; therefore, this is not considered a finding for non-compliance with State requirements.

**Questioned Costs:** Not Applicable

**Recommendation:** Establish procedures to ensure that pertinent minimum qualification documentation is obtained and properly filed in the personnel file during the hiring process.

**Current Status:** No exception noted during testing for fiscal year 2010-11.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2011**

**FINDING 10-3 – INTERNAL CONTROL – ATTENDANCE REPORTING**

**Finding:** CCR, Title 5, sections 58020 through 58024, requires the district to maintain detailed documentation to substantiate the data reported on the “Apportionment Attendance Report” Form CCFS-320. This documentation must show the accuracy of the data submitted by the District as a basis for state funding. During our testing of the annual attendance report, we noted that the resident noncredit FTES was overstated by 104.64. The District revised their 320 report and filed it with Chancellor’s Office; therefore, this is not considered a finding for non-compliance with State requirements.

**Questioned Costs:** Not Applicable

**Recommendation:** Review the report before final submission to the Chancellor’s Office to ensure that the CCFS-320 report is completed accurately; the review should be done by someone independent of the report preparation and include verification that the amounts reconcile to the supporting documentation.

**Current Status:** Implemented

**CONTINUING DISCLOSURE INFORMATION**

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**CONTINUING DISCLOSURE INFORMATION (UNAUDITED)**  
**June 30, 2011**

Assessed valuation for fiscal year 2010-11	\$35,419,522,112	(2)
Secured tax levies for fiscal year 2010-11	\$ 11,070,849	(1)
Secured tax delinquencies for fiscal year 2010-11	\$ 784,053	(1)
Secured tax collections for fiscal year 2010-11	\$ 10,286,796	(1)

**2010-11 Largest Local Secured Taxpayers (3)**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2010-11 Assessed Valuation</u>	<u>% of Total (2)</u>
1.	CA Colorado Center LLC	Office Building	\$ 469,310,104	1.32%
2.	Water Garden Realty Holding LLC	Office Building	454,839,938	1.28
3.	Douglas Emmett LLC	Office Building	305,394,552	0.86
4.	SC Enterprises SMBP LLC	Office Building	265,000,000	0.75
5.	CREP 2700 Holdings LLC	Office Building	226,269,666	0.64
6.	Macerich Santa Monica Place LLC	Shopping Center	215,679,199	0.61
7.	Ocean Avenue LLC	Hotel	146,613,466	0.41
8.	Rand Corp.	Office Building	131,690,037	0.37
9.	New Santa Monica Beach Hotel LLC	Hotel	131,505,096	0.37
10.	Equity Office Properties Trust	Office Building	124,990,000	0.35
11.	Shores Barrington LLC	Apartments	108,998,061	0.31
12.	LUI2 La Lantana LP	Office Building	107,419,282	0.30
13.	CLPF Arboretum LP	Office Building	104,863,751	0.30
14.	1299 Ocean LLC	Office Building	96,600,000	0.27
15.	HRL Laboratories LLC	Industrial	95,061,115	0.27
16.	Kilroy Realty LP	Office Building	83,152,638	0.23
17.	Hines 26 <sup>th</sup> Street LLC	Industrial	76,318,693	0.22
18.	ASN Santa Monica LLC	Hotel	73,863,734	0.21
19.	Searise Associates	Office Building	72,660,000	0.21
20.	Tishman Speyer Archstone Smith Santa Monica	Commercial	<u>67,344,951</u>	<u>0.19</u>
			\$3,357,574,283	9.48%

- (1) Information obtained from the Los Angeles County Auditor-Controller's Office.  
(2) 2010-11 Local Secured Assessed Valuation \$35,419,522,112.  
(3) Information obtained from California Municipal Statistics, Inc.